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November 9, 2004

Consumer Services Staff
Indiana Office of Utility Consumer Counselor
100 N Senate Ave., Room N501
Indianapolis, IN 46204-2215

RE: IURC Rulemaking No. 04-02
Establish New Customer Service Rights & Responsibilities Rules

Dear Indiana Office of Utility Consumer Counselor:

The following comments are submitted on behalf of the St. Joseph County Building Self-Sufficiency Task Force regarding IURC Rulemaking No. 04-02. I have attached copies of *Rising Energy Prices and Low-Income Households in St. Joseph County, Indiana* and *St. Joseph County Building Self-Sufficiency Task Force*, references referred to in our comments, because they would not be otherwise available to the Commission. If the Commission has any additional questions, or requires information from any member or organization of the Task Force, we will be glad to provide it.

Sincerely,


Judith Fox
Notre Dame Law School

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INDIANA UTILITY REGULATORY COMMISSION
GENERAL COUNSEL

**Comments from St. Joseph County Building Self-Sufficiency Task Force
on IURC Rulemaking No. 04-02**

The St. Joseph County Building Self-Sufficiency Task Force was created in 2003 to respond to our community's rising demand for assistance in the area of emergency needs for basic living requirements. Its members are a diverse group representing charitable, religious, business and academic sectors.¹ The Task Force was spearheaded by the United Way as a result of a one-time Emergency Heat Assistance Grant. Its original mission was to identify the community need for energy assistance, the unmet need, and determine why the need appeared to be growing. Since then, the mission has expanded to looking at other issues which interfere with the ability of disadvantaged member of our community to attain self-sufficiency.

The Task Force support the overall scheme of the proposed rule changes and recommend that the commission adopt them as final rules, with some significant modification. Two specific rules are of concern:

Proposed IAC 5-1.2-3(b) provides that a customer "is not deemed creditworthy" if that customer "does not meet or exceed the predetermined minimum credit score selected by the utility using a credit scoring system." Credit scoring is not appropriate for utility services. It has been shown to have a negative, adverse impact on low income and minority customers.

Proposed IAC 5-1-15 would allow utilities to charge a deposit not to exceed one-

¹See St. Joseph County Building Self-Sufficiency Task Force, Report to the Community, November 10, 2004

sixth (1/6) of the estimated annual billing for a service address. Although this is an improvement over the current one-third, it is still unreasonably high. The task force urges the commission to consider a more reasonable deposit of 1/12 the yearly annual billing.

Proposed IAC 5-1-15:

We have a crisis in northern Indiana. The cost of heating is driving some families into homelessness, while others are being forced to choose between food and medication or utilities.²

A significant and growing proportion of St. Joseph County households cannot pay their heating bills all or some of the time.³ Families juggle limited resources in an attempt to make ends meet, often sacrificing other essential services. A 1999 study revealed that nearly a quarter of the recipients of federal utility assistance had to reduce their medical costs in order to pay for energy costs. This same study revealed that 12 percent to 13 percent were forced to reduce their food consumption.⁴

Nearly 90% of all households in St. Joseph County heat their homes with natural gas.⁵

²Diane Price, Rising Energy Prices and Low-Income Households in St. Joseph County, Indiana (senior research thesis under the supervision of Professor Charles Craypo, University of Notre Dame, April 2004).

³St. Joseph County Building Self-Sufficiency Task Force, Report to the Community, November 10, 2004.

⁴Diane Price, Rising Energy Prices and Low-Income Households in St. Joseph County, Indiana (senior research thesis under the supervision of Professor Charles Craypo, University of Notre Dame, April 2004) (citing “Energy Crisis Looming for the Poor?” www.policyalmanac.org, 2000).

⁵ Id.

Heating costs have risen significantly in recent years.⁶ The price is also very volatile, making it difficult for families on tight budgets to adjust their expenses to accommodate the change. For instance, in one two day period in September of 2004, the price of natural gas increased 17 percent.⁷ The St. Joseph County Building Self-Sufficiency Task Force surveyed our member organizations and discovered some disturbing facts. In St. Joseph County last heating season, the agencies of our coalition spent three million dollars in charitable dollars, grants and tax dollars, aiding clients with utility bills and deposits.⁸ More than a thousand households reported to our agencies that their service had been disconnected in the 2003-04 heating season, while an additional two thousand received disconnect notices. The situation will only be worse this winter. On October 29, 2004 the South Bend Tribune reported that Northern Indiana Public Service Co, which supplies gas to most of northern Indiana, estimates an increase in natural gas prices of 10 percent to 15 percent this heating season.⁹

The rising cost of natural gas has been coupled by record job losses and stagnating wages. According to the Indiana Department of Workforce Development, Indiana has experienced more job losses than any other state in the 12 month period ending in July of 2003.¹⁰ Most have now

⁶St. Joseph County Building Self-Sufficiency Task Force, Report to the Community, November 10, 2004, p.

⁷Id. at .

⁸This number reflects the totals from those agencies which reported to us. These figures include money from charitable donations, grants and federal Low Income Home Energy Assistance Program ("LIHEAP").

⁹Carol Elliott, *Natural gas costs going up: NIPSCO revises estimate of increase up to 15 percent*, South Bend Tribune, October 29, 2004.

¹⁰Indiana Coalition on Housing and Homeless Issues and Partners for Hoosier Communities, October 13, 2004, conference materials, page 3.

exhausted their unemployment benefits.¹¹ High paying manufacturing jobs have been replaced by low paying service jobs. While service sector jobs increased three-fold as a percentage of the entire job market nationally, they increased in South Bend six-fold.¹² While state and federal programs are available to assist with food and medical costs, Indiana, unlike many of its neighboring states, has no state funding energy assistance program. The township trustees assist families who fall below the poverty level with utility bills, but they will not pay deposits. Federal programs only assist those families who fall below the federal poverty guidelines.

The federal poverty guidelines were created in the 1960s by the Social Security administration. They are determined by taking the economy food budget created by the USDA and multiplying it by three.¹³ The formula assumes that one third of a family's after-tax income is devoted to food, an assumption which no longer holds true.¹⁴ The National Research Council has recommended changing the formula to include shelter and clothing.¹⁵ However, there is no political will to make the necessary changes. Who wants to be in charge when the poverty rate increases fourfold? In 1998 the Indiana Economic Development Council developed the "Basic Needs Budget" in an effort to more accurately calculate the basic income needed for a family to

¹¹Id. at 3.

¹²Cormier, D. And Craypo, C. "The Working Poor and the Working of American Labour Markets" *Cambridge Journal of Economics* 200, 24, 691-708.

¹³Brian Tabor, "Estimating Basic Needs Budgets for Indiana Families: Year 2000 Update," Indiana Economic Development Council, September 2001, p. 4.

¹⁴Id. at 4.

¹⁵Id. at 5.

be self-sufficient in Indiana.¹⁶ Self-sufficiency, as defined by the General Accounting Office in 1993, is “1) freedom from various forms of public assistance; 2) adequate earned income to provide for basic needs; 3) earnings stability necessary for maintaining prolonged independence from public assistance.”¹⁷ With these factors in mind, the Indiana Economic Development Council created a new model, one that includes food, housing, health care, child care, transportation, personal and household expenses, and taxes.¹⁸ These figures are significantly higher than the federal poverty guidelines. The 2000 Basic Needs Budget, the most recent year to be calculated, indicates that a Hoosier family of four with two working parents needs to earn at least \$32,364 to meet its basic needs. The federal poverty guidelines for the same family is \$17,050.¹⁹ Therefore, an Indiana family of four actually needs to have a family income nearly double the federal poverty guidelines in order to meet its basic needs. This same family is only eligible for federal energy assistance if they earn less than \$21,312, or \$11,000 less than they actually need to meet their basic needs. If they earn \$25,000, still more than \$7,000 below their basic needs, they cannot receive any assistance from any agency. It is easy to see why so many families are having trouble making their utility payments. Based on our community-wide research, the St. Joseph County Building Self-Sufficiency Task Force has determined that utility bills, and utility deposits in particular, have become a major barrier for families attempting to become self-sufficient.

¹⁶Id. at 1.

¹⁷Id. at 4.

¹⁸Id. at 1.

¹⁹Id. at 20.

The current regulations provide that a utility company may charge up to 1/3 of a yearly bill as a deposit. This may have been reasonable in the 1970s when the law was last revised. At that time, a deposit of \$100 would have been high. Today, we are seeing deposits of \$300 to \$1000 on a regular basis. The Indiana Economic Development Council calculates that a family of four should spend no more than \$504 per month on housing, which includes utilities. The families we encounter are paying \$200 per month on utilities alone. In September, we asked the charities in our coalition to keep track of the people coming in for energy assistance so we could begin to gage the demand. More than 50 families called for assistance in the month we measured. Most were seeking assistance for their gas bills, service having been disconnected. The deposits required ranged from a high of \$1227 to a low of \$125. Here are just a few stories reported to us in just the last few weeks:

- * A young couple who are expecting a baby in November would like to rent a home before the baby arrives. They need a \$520.00 deposit and \$215.00 for a previous bill.

- * A single mother of three who had been working at a local company for 13 years before her job was outsourced. It took a while to find steady work. Her current job pays only \$7.00 per hour. Her utilities have been disconnected. Her previous budget balance was \$118 per month, which she could afford on her income. Now she has to choose between paying the utilities or the rent. She owes \$111 on the bill and more than \$250 for a deposit and reconnect fee.

- * An elderly lady of 77 whose gas was disconnected. She needs a deposit of \$460.00 and has a past due bill of \$420.00.

- * A retired, single woman living on \$574 per month in Social Security benefits. Her NIPSCO service was disconnected for a past due balance of \$406. Her deposit of \$475 and the reconnect fee is \$35 total 89% of her entire monthly income.

- * A young couple with four children and both parents working. Mom became ill and has not worked since May. Dad's hours were cut back. Now they have a past due bill of \$240.00 and need a deposit of \$265.00.

* A single mother supporting four children and two grandchildren who rents a home for \$525 per month. She has been unable to turn on the gas because she owes \$369 from her previous address and now needs \$350 for the deposit. While the trustees will assist with the bill, they will only do so if she pays the deposit. On her income she can afford no more than \$65 per month for her utilities.

* A single mom with four children who needs a deposit of \$565.00 in order to turn the heat on.

* A single mother with two young children whose gas has been disconnected for nonpayment. She owes \$135 in past due bills and a deposit and reconnect fee of more than \$450. Her only income is Temporary Assistance for Needy Families (TANF).

* An elderly woman of 76 who has cancer, no heat and no water. She needs a deposit of \$455.00 and has a past due bill of \$1,057.

* A single, retired woman who worked for 35 years in grocery stores. She has no pension, but receives \$560 in social security. Her income must cover her rent of \$400 per month, utilities and food. Her gas bill is \$400 past due. She will owe an additional \$300 for a deposit when it is disconnected. She will not be able to pay either and, therefore, will likely be without heat this winter.

* A young couple with a new baby (3 weeks old when the story was reported) who has had their gas disconnected and now needs \$540.00 to reconnect.

* A single mom with 2 children and a baby due in December who needs \$520.00 for a deposit and \$215.00 for a past due bill.

* A single mother of three children who currently has section 8 housing. This subsidized housing is the only housing she can afford. She is unable to turn on the heat because she owes \$734 from a prior bill and \$375 for a deposit. She has been able to save \$220, but no more. She will lose the section 8 housing and be homeless if she does not turn the heat on this month.

* A couple with 6 children who needs a deposit of \$400.00 to turn the gas on.

* A single father of five who is paying rent of \$375 and has had his gas turned off for nonpayment. He owes \$225 in past due bills and an additional \$500 deposit. He cannot reconnect and will go without heat.

* An 88 year old man who needs a deposit of \$570.00 and a bill of \$340.00.

* A family of four. Mom just gave birth to a new baby. She had been employed

but was ordered on bed rest for the last six weeks of the pregnancy and, as a result, lost her job. Her husband works and earns \$12 per hour. Overtime used to be a regular thing for the family, but it is no longer available. With only one income, and that income less than it used to be, the family cannot keep up. They are two months behind on the mortgage. The mortgage payment is \$585. In order to avoid foreclosure, they paid the mortgage and not the gas bill. The gas has been disconnected. They owe NIPSCo \$146 in past due bills, \$250 for a deposit and \$45 for a reconnection fee.

* A single mom with 4 children who needs a deposit of \$425.00 and a past due bill of \$640.00.

* A married couple, both of whom are disabled, who have a total income of \$1200 per month. They have three children at home. They have past due bills of \$128 and a deposit of \$325. They have saved \$40, but will not have enough to turn the heat on when it gets cold.

* A young, disabled man who had been living with his mother. She passed away. He no longer has her social security income. He is working part-time, but not earning enough to pay the bills. He owed NIPSCo \$194. If he does not pay the bill, he will need an additional \$350 for a deposit to reconnect.

* A married couple with two young boys. The Father was injured at work and is temporarily disabled. He is not getting workman's compensation and cannot work for six months. Mom is unable to work because she is pregnant and caring for a sick, disabled mother-in-law. The gas has been disconnected. They need \$333 to pay the bill and an additional \$320 for the deposit.

* A single father of one who is working full time at minimum wage. His wife left him, but he has not yet been able to collect any child support. He owes a bill of \$943 and needs a deposit of \$350.

The heating season has barely begun and the charities in our coalition are already inundated with calls. One agency reports a waiting list of 130 people who need a total of \$21,000 in deposits to turn on the heat. Another has placed a recorded message on the telephone telling people that they are already out of funds. The demand is great and the heating season has barely begun. Last year, due to some extra grant money provided by the United Way, the community had additional dollars to spend. This money allowed the United Way to assist 382

households, distributing a total of \$171, 500 for utility bills, \$116, 376.32 of which was for deposits. Typically, the United Way, like the Trustees, does not pay deposits. This money will not be available this heating season. Nothing has come forward to replace it.²⁰

The St. Joseph County Building Self-Sufficiency Task Force urges the Commission to adopt a final rule which reduces the size of deposits customers need to pay. A deposit of 1/12 the amount of a yearly bill would be fair. The deposit should be based on the bills in an entire year and not just the bills of peak usage, as has been suggested. This is consistent with other essential services. When you rent a home, you pay a security deposit of one month.

In addition, we strongly support the adoption of Proposed IAC 5-1.2-4(f), which would require the utilities to track deposits. Current law allows utility companies to collect deposits, keep them for up to one year without paying interest and keep them forever if the customer fails to remember to request its return. The industry has argued that it would be too expensive to keep track of deposits and return them to the customer when they are no longer needed. Such a position is indefensible. No other industry is permitted to take a customer's money, keep it indefinitely, and never have to account for that money. Utilities, as monopolies providing an essential service, should be held to a higher, not a lesser standard.

Proposed IAC 5-1.2-3(b)

To create credit models, the industry analyzes a variety of factors found on credit records. The factors used are those which can statistically predict future credit performance. While many

²⁰It should be noted that on September , 2004 NIPSCo filed a petition proposing a special program for a limited number of customers which would limit the size of deposits. The proposed program is too little, too late. It is conceived as a means to derail the proposed rules which address more than just the deposit problem.

factors may be used, the most common are “payment history, consumer indebtedness, length of credit history and the acquisition of new credit.”²¹ Credit scores are used by mortgage brokers and issuers of consumer loans. Recently, insurance companies have utilized credit scores to set rates. The use of credit scoring in the utility industry, however, is relatively new and untested.²² While such credit scoring models may be useful for car loans, they are problematic for utilities. Utilities are simply not the same.

Proposed IAC 5-1.2-3(b) is inconsistent with Proposed IAC 5-1.2-3, which provides that “Utility service shall not be denied for nonpayment of bills for merchandise or other nonutility or nonregulated services.” Utility companies are required to provide utilities to anyone in their service area willing to pay for the service. Utility companies have an obligation to serve the public.²³ This obligation is quite different from the obligation a bank might have to provide a car loan. Credit scoring limits the ability of consumers to access utility services, violating this public duty. The current law provides an sufficient manner in which to determine credit worthiness. Credit scoring is simply unnecessary. It will increase those required to pay deposits to include customer who are not credit risks.

The specifics of the particular credit scoring model anticipated by the proposed rule have not been disclosed. This is a significant concern. Credit scoring models are developed by collecting credit histories and then matching those histories to the event to be predicted, in this

²¹Robert Avery, Paul S Calem, Glen B Canner, *Credit Report Accuracy and Access to Credit*, Federal Reserve Bulletin, Summer 2004, p. 298.

²²*Are Credit Scores Fair and Reliable When Assessing Risk for Utility Service Applicants?*, National Consumer Law Center Energy & Utility Update, Volume XX, Number 3, Summer 2003, p. 4.

²³*United Fuel Gas Co. v. Railroad Comm’n of Kentucky*, 278 US 300 (1929) (cited in *Are Credit Scores Fair and Reliable When Assessing Risk for Utility Service Applicants?*, National Consumer Law Center Energy & Utility Update, Volume XX, Number 3, Summer 2003, p. 5.)

case default of utility payments. Without details of the model, it is impossible to challenge the accuracy of the model or analyze whether the model discriminates against certain customers as a result of, for example, geography or income impossible.²⁴

The accuracy of credit scoring depends on the accuracy of the underlying credit report. In 2002, the Consumer Federal of America and the National Credit Reporting Association published a report entitled *Credit Score Accuracy and Implications for Consumers* which identified problems with the credit reporting system.²⁵ They reported a 1998 Public Interest Research Group which found that 29 % of credit reports contained errors that could result in denial of credit. That same study found that “41% of reports had incorrect demographic identifying information, and 20% were missing major credit cards, loans, or mortgages. In total, 70% of reports contained an error of some kind.”²⁶ The Consumer Union itself surveyed credit reports in 1991 and discovered that “20% of credit reports contained a major inaccuracy that could affect a consumer’s eligibility for credit, and 48% contained inaccurate information of some kind.”²⁷ In 2000 they did a new survey and found that more than half of the surveyed credit reports contained inaccurate information which could “result in a denial or a higher cost of credit.”²⁸ Inaccurate credit information can result in lower credit scores which, under the proposed rules, could result in more consumers being required to pay deposits.

²⁴ Testimony of Birny Birnbaum, Executive Director of the Center for Economic Justice, before the State of New York Public Service Commission in the Petition of Niagara Mohawk Power Corporation For Authorization to Request Security Deposits From Applicants for Residential Service, Filed in Case 25695, Case 03—0772, July 24, 2003, p. 8.

²⁵ *Credit Score Accuracy and Implications for Consumers*, Consumer Federation of America & National Credit Reporting Association, December 17, 2002.

²⁶ Id. at 6.

²⁷ Id..

²⁸ Id. at 7.

Many studies have shown that credit scoring models have a disparate negative impact on minority.²⁹ African-Americans and Latinos have been shown to have lower credit scores than whites.³⁰ The Missouri Department of Insurance did a study wherein they concluded that low credit scores “significantly correlated with minority status and income as well as a host of other socio-economic characteristics, the most prominent of which are age, marital status and economic attainment.”³¹ The study concluded that, even if you correct for things like income and educational attainment, scores were lower in minority zip codes. They concluded that “race/ethnicity proved to be the most robust single predictor of credit scores.”³² Credit scores are lower in minority neighborhoods for a number of reasons. Credit scoring models rate certain credit providers lower than others. The same loan with a finance companies, as opposed to a bank, for instance can result in a lower score. Minority neighborhoods have more finance companies and fewer banks. Minorities often do not have access to the traditional credit market. Alternative mortgage products such as land contracts, are not reported to credit bureaus. While mortgage companies regularly report to credit bureaus, landlords only report negative items such as an eviction or a judgment. Therefore, individuals in minority neighborhoods tend to have less positive credit reported, resulting in lower scores.

Credit scoring has not been tested or proven to accurately measure whether or not someone will pay his or her utility bills. The Fair and Accurate Credit Transaction Act of 2004

²⁹ *Are Credit Scores Fair and Reliable When Assessing Risk for Utility Service Applicants?*, National Consumer Law Center Energy & Utility Update, Volume XX, Number 3, Summer 2003, p. 6-7.

³⁰ *Id.* at 6.

³¹ Missouri Department of Insurance, *Insurance Credit Scores: Impact on Minority and Low Income Population in Missouri* (January 2004).

³² *Id.* at 11.

requires the FTC to study credit scoring. On October 20, the Federal Trade Commission announced a pilot project to begin to examine credit reporting and credit scores.³³ It is premature to implement a credit scoring system before the research has been done to determine if such a system is discriminatory, especially when the preliminary research has indicated that it is.

Proposed Rule IAC 5-1.2-5:

We support this proposed rule. However, we would also like to point out a practical problem with its implementation. The proposed rule provides that utilities cannot be disconnected after noon on the day immediately before a utility's office are not open for business. We would like to point out that utility offices in our community are never open for business. There is no office in St. Joseph County where a customer can walk in and resolve a billing dispute or pay a bill. This is especially difficult for senior citizens who have increasing difficulty negotiating telephone computer systems. Even if you get through, you cannot make a payment in time to stop the termination. One client was able to come up with the entire amount owed, both through charitable donations and her own savings. She went to the "office" to make a payment, which in our community is the office of a payday lender. She was charged a fee for paying her bill, thereby leaving her with not enough money to prevent termination. If this provision is to be at all meaningful, the utility must be required to have an office which can accept payments, without additional charges.

Proposed Rules IAC 5-1.2-8 and IAC 5-1.2-9:

We urge the commission to adopt these rules as proposed. The add valuable consumer

³³69 Fed. Reg.61675 (October 20, 2004).

protections lacking in the current law. We request that the rule be modified to require all responses from the utility to be in writing.

Those of us who attending the public hearing in Indianapolis in September of 2004 were dismayed by the suggestion, made by industry representatives, that the Commission need not hold hearings on these matters, but could instead resolve them in private seminars with the industry. This issue is to important to be decided behind closed doors. We congratulate the Commission for agreeing to hear from the public by holding an additional public hearing on this matter in South Bend on December 1.

Rising Energy Prices and Low-Income Households in St. Joseph County, Indiana

Diane Price (senior thesis under the supervision of Professor Charles Craypo, University of Notre Dame, April 2004)

I. Introduction

This report examines the development and current situation for the low-income community in St. Joseph County, Indiana, regarding heating bills and the availability of heating assistance. In the past couple of years, **winter heating costs have pushed many low-income families into financial crisis. Across the country, the poverty rate has been essentially static for the last thirty years. St. Joseph County has actually seen an increase in its poverty rate relative to the rest of the country, due in large part to changes in its labor market structure.** Families in and near poverty have little or no budgetary flexibility, leaving them unable to cope with unexpected financial demands. **The disproportionate amount of total income that low-income families devote to energy expenses leaves them especially vulnerable to fluctuating energy prices.** The Department of Energy estimates that households with incomes less than \$25,000 a year spend 13 to 30 percent of their total income on energy costs.¹ Thus, sharp rises in energy prices in the past four years, which led to an increase of 47.5 percent in average winter heating bills for Midwest homes, have caused serious financial problems for many low-income households.²

In contrast to its former policies, the federal government has not responded to this situation by increasing its funding of energy assistance programs. Indiana has actually seen a reduction in the energy assistance funds it has received from the federal government in the past four years. At the same time, Indiana's local government assistance program is plagued with problems and is incapable of meeting the rising energy needs of low-income families. Families increasingly turn to private assistance programs as they struggle to heat their homes during the winter. However, the current private organizations are insufficient to cover the significant amount of need that local and federal government programs do not attend.

The inability of households to meet the demands of rising costs of living, in particular those incurred during winter months, is indicative of the inadequacy of the current social and economic structure in the United States. The situation is unlikely to improve unless structural changes are made on numerous levels.

II. Significance of the Problem

Approximately 86% of the 100,629 households in St. Joseph County heat their homes with natural gas.³ Four major natural gas companies supply 90% of natural gas retail deliveries in Indiana. St. Joseph County residents are served by Northern Indiana Public Service Co. (NIPSCO), the largest of these suppliers.⁴ In examining the situation surrounding winter heating costs for St. Joseph County residents, this report focuses on natural gas consumers and clients of NIPSCO.

Each year, around 500,000 households in Indiana are disconnected from gas service because they have not paid their heating bills.⁵ Lack of heat for the following

¹ "DOE Study Finds that Low-Income Families Continue to Pay Disproportionate Energy Costs", 2003. *Americans for Balanced Energy Choices*. Available on the World Wide Web at: <http://www.balancedenergy.org>.

² Energy Information Administration, "Residential Natural Gas Prices, Information For Consumers."

³ U.S. Census Bureau DP-4. "Profile of Selected Housing Characteristics: 2000", Census 2000

⁴ Indiana Utility Regulatory Commission, "Gas Report to the Regulatory Flexibility Committee of the Indiana General Assembly" September, 2003, p2

⁵ DeAgostino, Martin. "Heat Deposit Bill Off Senate's Plate" *South Bend Tribune*, February 18, 2004. A2

winter becomes a real concern for disconnected residents of St. Joseph County because of the **unusually high deposit fees NIPSCO requires to connect or reconnect to natural gas service. The amount of money required to cover back bills plus a deposit fee for low-income households can frequently reach levels above \$1,000**, which is more money than most low-income families are able to amass at one time, making it impossible for them to get reconnected. A recent South Bend Tribune article highlighted the case of a woman named Marrea, a single mother of two who was left with a bill of \$5000 after the previous winter season. Marrea's gas had been disconnected since the previous spring. While she was able to diminish her bill through gradual payments, when NIPSCO added on an additional \$700 deposit, she lost hope of paying off the total before the winter. As a result, **Marrea and her two daughters had to face a winter without heat.**⁶

Lack of central heating raises the potential for a number of health hazards. Households without energy service must compensate through a variety of alternative measures, such as using space heaters, sleeping together in one room to conserve heat, and using the microwave to cook and heat water. These creative measures can, however, pose **serious health risks. Each year space heater fires burn down a number of houses in the area. In addition, using space heaters can sometimes raise electricity bills higher than would be incurred through gas, which perpetuates a household's financial problems and makes it more difficult to save enough for reconnection to gas heat.**⁷

Accidental hypothermia is also a risk when a house does not have central heating, especially in older, draftier homes. Children and the elderly are especially vulnerable, considering that a substantial portion of those in poverty are under 18 or older than 65 years of age.⁸ Perhaps of even greater concern to many families is the threat of being dropped from the Section 8 subsidized housing program. More than 2,100 homes in the South Bend area are on Section 8. While some of these homes receive utility assistance as part of the program, many do not. One of the **contract agreements for receiving Section 8 is that the occupants keep the home heated.** If the household gets disconnected from gas and cannot afford to reconnect, they risk losing their home.⁹ Thus, lack of heat carries a number of corollary problems with it, including threat to health or loss of one's home through fire or expulsion.

For homes that remain connected, paying high energy bills often means making sacrifices in other areas, such as nutrition and medical care. According to a recent study, low-income families respond to financial strains due to unusually cold weather by decreasing their caloric intake. Both wealthy families and low-income families were found to increase fuel expenditures during unusually cold winters.

⁶ Johnson, May Lee, "Total gas bill still at \$2,500" *South Bend Tribune*, November 11, 2003. A1.

⁷ "Poor and Without Heat: National Overview of Price and Supply-Related Problems with Home Heating Sources Used by Low-Income People" *Community Services Administration*. U.S. Government Printing Offices. Washington, D.C. October, 1979;

Heating Assistance Task Force, presentations given at meeting November 7, 2003

⁸ Poverty in the United States: 2002; Current Population Reports, US Census Bureau. September, 2003; "Poor and Without Heat: National Overview of Price and Supply-Related Problems with Home Heating Sources Used by Low-Income People" *Community Services Administration*. U.S. Government Printing Offices. Washington, D.C. October, 1979.

⁹ Stephanie Ball, Housing Authority Office; presentation at Task Force Meeting, February 4, 2004.

However, adults and children in low-income families reduced the calories they consumed by 10 percent, whereas wealthy families typically held constant or increased the amount of calories they consumed in response to the colder weather.¹⁰ Another study revealed that among recipients of federal utility assistance in 1999, 21 to 25 percent sacrificed medical care and 12 to 13 percent reduced food consumption in order to meet energy costs.¹¹ Among low-income families who do not receive heating assistance, the proportion sacrificing health care or reducing food consumption is likely to be even greater. Thus, successful payment of winter utility bills is not the end of the story for low-income families, since many face additional risks such as malnutrition or problems caused by lack of medical attention.

Because low-income households generally use all of their income on essential items, increases in budgetary demands, such those associated with rising energy prices, which are not accompanied by corresponding increases in income or assistance, force these households to cut spending on necessities such as food, medicine, or energy. The only methods for preventing these types of situations from occurring is by raising incomes, controlling energy price increases, or improving and expanding assistance to low-income families. The remainder of the report will examine these three avenues for change.

III. Poverty

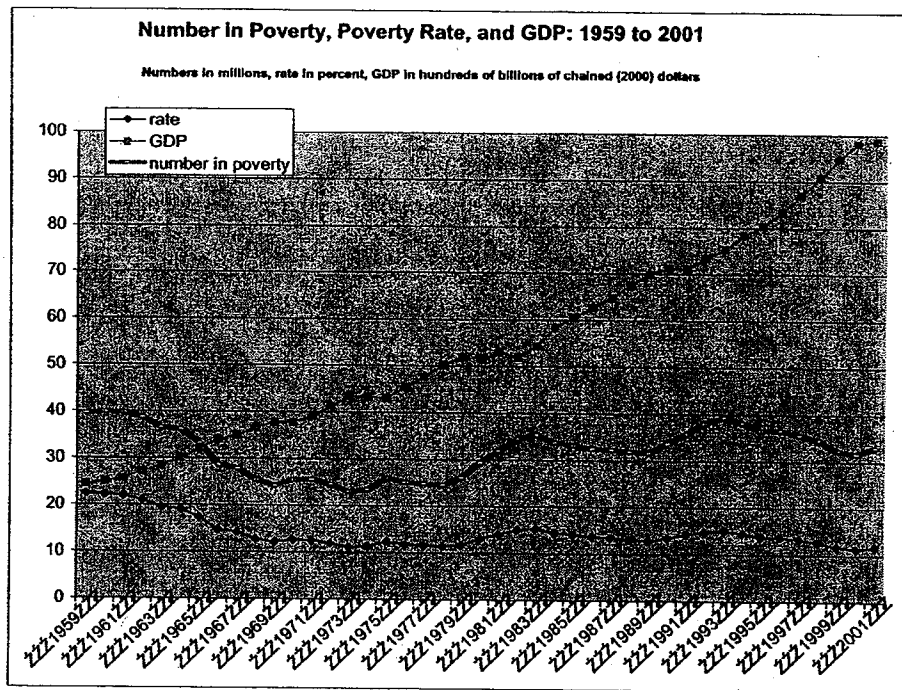
A. Historical Perspective

Poverty in St. Joseph County mirrors national poverty trends. The U.S. poverty rate and the number of people in poverty both steadily declined in the years from 1959 to 1973. Since that time, in spite of economic growth, the national poverty rate has remained relatively constant and the number of people living in poverty has risen.

Figure 1

¹⁰ Bhattacharya, Jayanta; DeLeire, Thomas; Haider, Steven; Currie, Janet; "Heat or Eat? Cold weather shocks and nutrition in poor American Families" *National Bureau of Economic Research*, Working Paper Series; June 2002.

¹¹ "Energy Crisis Looming for the Poor?" www.policyalmanac.org, 2000.



Source: U.S. Department of Commerce, Bureau of Economic Accounts. Table 1.1.6
 U.S. Census Bureau, Current Population Survey, Annual Demographic Supplements.
 Poverty and Health Statistics Branch/HHES Division. Table 2

B. Measuring Poverty

The criteria used to measure poverty significantly impacts the number of people estimated to be in poverty. Thus, attaining an accurate measure of poverty is essential to understanding the actual magnitude of poverty and for guiding political and economic decisions. The federal poverty guidelines, which estimate the minimum income sufficient to meet cost-of-living needs for families, are the primary source used in measuring poverty. However, **the model used in estimating the federal poverty guidelines has a number of problems.** The method for estimating the federal poverty guidelines uses an approximation of the costs for a low-budget food plan, which is multiplied by three to reach an overall cost of living. The guidelines are updated yearly to keep up with inflation as measured by the Consumer Price Index.¹²

Perhaps the most serious defect in determining the guidelines is that, while food accounted for roughly a **third of total expenditures when the model was developed in the 1960s**, food currently accounts for only about 14 percent of total household expenditures.¹³ **Consequently, multiplying the costs of food by three represents only around 42% of actual costs of living.** An accurate measure of cost of living could be calculated by multiplying costs-of-food estimates by seven. A more conservative estimation can be achieved by doubling the federal poverty guidelines, or multiplying estimated food expenditures by six.

¹² National Research Council. 1995. *Measuring Poverty: A New Approach*. Washington D.C.: National Academy Press. P 22, 24, 97,

¹³ Percent of total income spent on food is estimated based on the composition of the Consumer Price Index consumption basket, which puts food at a 14 percent share.

2004 Household Poverty Guidelines

Size of Family Unit	Federal Poverty Guideline	2X Federal Poverty Guideline
1	\$9,310	\$18,620
2	12,490	\$24,980
3	15,670	\$31,340
4	18,850	\$37,700
5	22,030	\$44,060
6	25,210	\$50,420
7	28,390	\$56,780
8	31,570	\$63,140
for each additional person, add	3,180	\$6,360

Source: *Federal Register*, Vol. 69, No. 30, February 13, 2004, pp. 7336-7338

Measuring poverty based on guidelines that significantly underestimate the actual cost of living creates a false image of security and well-being by suggesting that there are many fewer people affected by poverty than is actually the case. The federal poverty guidelines have become less and less accurate as the share of household income spent on food has gradually declined, and **the guidelines have increasingly underestimated the number of people in poverty.** Thus, while data suggest that the rate of poverty has remained relatively constant since 1970, it can be inferred that the rate of poverty has actually increased progressively since that time.

C. Measuring Poverty in St. Joseph County

According to estimates using the federal poverty guidelines, **more than 29,000 St. Joseph County residents are living in poverty, which indicates an 11 percent poverty rate.**¹⁴ Because the guidelines are based on family size, the adjusted guidelines (twice the federal poverty guidelines) cannot be directly applied to population estimates of St. Joseph County to arrive at a more accurate estimate of the rate of poverty. However, a rough estimate can be made by assuming an average family size of two for St. Joseph County (based on the estimate of average number of persons per household in St. Joseph County as 2.5).¹⁵ With the corresponding poverty threshold at about \$25,000, **St. Joseph County would have a poverty rate of close to 30 percent, or nearly three times the official estimate.**¹⁶ Although the actual number may vary quite a bit above or below

¹⁴ Because these figures are based on studies done in 1999 and 2000, they are likely below what estimates would be for today. The number of people in poverty is calculated using the poverty rate and 2001 population estimates based on the Census 2000 data. The poverty rate estimate is from income reported in the March 1999 Current Population Survey. The rate is likely below what the rate today would be due to the economic recession following the survey estimate. Population growth since 2001 makes the estimates for the number of people in poverty in 2001 most likely lower than what estimates would be for 2004. U.S. Census Bureau, "Estimates for People of All Ages in Poverty for Indiana: 1998", released December 2001; and U.S. Census Bureau, "2000 Census of Population and Housing"

¹⁵ The number of persons per household in St. Joseph County in 2000 was 2.5 according to the, U.S. Census Bureau: "2000 Census of Population and Housing" DP-3 Profile of Selected Economic Characteristics: 2000

¹⁶ 29.2 percent of households in St. Joseph County in 1999 had total incomes less than \$25,000 according to the U.S. Census Bureau "2000 Census of Population and Housing" and "Census 2000 Summary File 3 (SF 3)"

this, it is clear that poverty and the obstacles associated with it are a reality for a significant portion of St. Joseph County residents.

D. Other Uses of Federal Poverty Guidelines

In addition to quantifying the existence of poverty, the federal poverty guidelines are a key factor in determining income eligibility for many assistance programs, especially government funded programs. Most government assistance programs use the guidelines or 125% of the guidelines as their cut-off for providing service. However, both cut-offs exclude households that have incomes between 125 to 200 percent of the federal poverty guidelines. Many of these households have one or two low-wage earners who cannot make ends meet on the poverty-level wages; yet, they also find themselves ineligible for many assistance programs. *Thus, in addition to allowing the poverty rate to gradually increase while obfuscating the problem, our political and economic structure is failing to address the problem of poverty-level wages and excluding low-income workers from many government assistance programs.*

IV. Labor Market Structure and its Influence on Poverty

A. The Working Poor

Understanding why poverty is so prevalent in spite of sustained growth in GDP is an important step towards addressing the problem in general and in St. Joseph County specifically. A central factor influencing the rise in poverty in St. Joseph County has been the changing structure of the labor market. The importance of employment in relation to poverty can be seen in the significant difference between the rates of poverty for those who work versus those who do not, as well as in the sizable number of those in poverty who do in fact work.

The table below provides statistical information regarding poverty and its relation to employment (because these numbers are based on the federal poverty guidelines, they underestimate the actual magnitude of those in poverty). Higher rates of employment correspond to lower rates of poverty: the rate of poverty for those who work is 5.9 percent compared with 21.0 percent for those who do not work. However, the relatively large number of those in poverty who work, 37.9 percent, indicates that the existence or absence of work is not sufficient to explain the incidence of poverty.

¹⁷

Table 1

Poverty in Relation to Work, 2002 (persons aged 16 and older)

Characteristic	Total (in thousands)	Number in Poverty (in thousands)	Percent of this group that are in Poverty	Percent of those in poverty found in this sub-group
Worked	151,546	8,954	5.9	37.9
Full-time year-round	100,659	2,365	2.6	11.1
Not full-time year-round	50,887	6,318	12.4	26.8
Did not work	69,595	14,647	21.0	62.1

Notes: Full-time, year-round workers are defined as those who worked 50+ weeks and 35+ hours per

¹⁷ U.S. Census Bureau, Current Population Survey, 2003 Annual Social and Economic Supplement

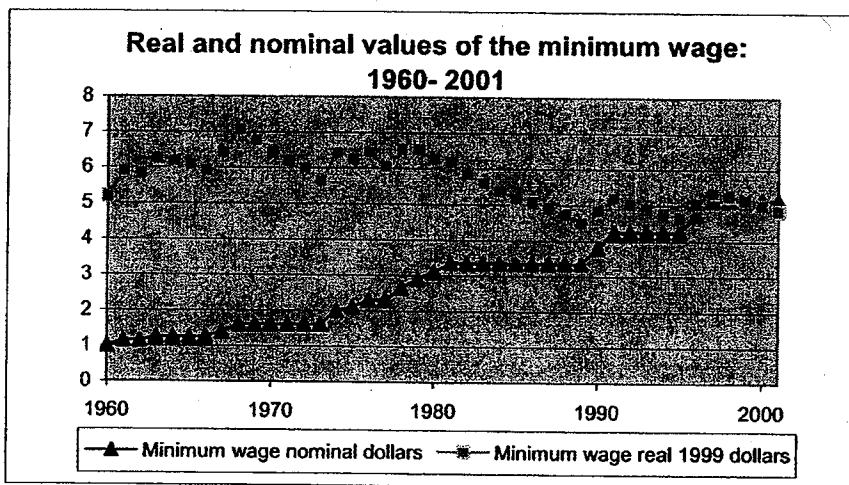
week during 2002. Paid vacation counts as time worked. Non-workers are defined as those who did not work at least one week.

Source: U.S. Census Bureau, Current Population Survey, 2003 Annual Social and Economic Supplement

Low wages combined with low hours help explain why so many people work and still remain in poverty. The rate of poverty among part time workers is estimated at 12.4 percent, which is significantly greater than that for full time workers, at 2.6 percent. While an easy solution to the problem of the poverty of part-time seems to be for them to work full time, this is often not a possibility. Approximately half of the population of part-time workers wants to increase their hours, according to the March 2004 BLS employment report, but their employers limit the number of hours they work, presumably to avoid paying benefits and maintain a flexible work force.¹⁸

Low wages, the other reason why those who work remain in poverty, are also beyond the control of many workers. Just as the poverty rate has shown no consistent improvements since 1973, **the real value of the minimum wage has shown no consistent increases and has even decreased since it peaked in 1968 (\$7.07 in terms of 1999 dollars).** A low and falling real minimum wage not only affects those workers receiving the minimum wage, but also puts downward pressure on the income of all low-wage workers.

Figure 2



Source: Economic Policy Institute Issue Guide, Historical Values of the U.S. Minimum Wage
http://www.epinet.org/Issueguides/minwage/mw_val_1960-2001.pdf

B. Wage Stratification

Rising income disparity helps explain why such a significant portion of St. Joseph County residents are in or near poverty and unable to pay their heating bills, in spite of the overall economic prosperity in the country. The lowest paid members of society have seen little to no improvement in wages over the past thirty years while the wealth

¹⁸ Sachdev, S. and Wilkinson, F. "Low Pay, The Working of the Labour Market and the Role of Minimum Wage" *The Institute of Employment Rights*. London, May 1998. Some 4.7 million part-time workers wanted full-time work. U.S. Labor Department, Bureau of Labor Statistics, "The Employment Situation: March 2004, Table A.

generated through the economy has gone disproportionately to the rich. Between 1979 and 2001, the real income for the poorest 20% of families increased 3%, while the real income for the wealthiest 20% of families increased 53%, and for the wealthiest 5% of families it increased by 81%.¹⁹ The table below illustrates the increasing stratification in wages between the wealthiest 20% of households and everyone else.

Table 2

Share of Aggregate Income Received by Each Fifth and Top 5 percent of Households

	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%	Top 5%
1974	4.4	10.6	17.1	24.7	43.1	15.9
2001	3.5	8.7	14.6	23	50.1	22.4

Source: U.S. Census Bureau, Current Population Survey, Annual Demographic Supplements; Table H-2

Many economic and political factors have contributed to rising income inequality in the United States. **For much of the past forty years, political and social thought attributed both the cause of and the solution to poverty to the individual.** According to this perspective, poverty level wages result from a skills mismatch, in which an oversupply of unskilled labor drives down market prices. The prescribed solution is increasing job and skills training in order to raise as many people as possible out of the category of unskilled labor. However, this approach ignores the forces of political, economic, and social structures on the labor market. It presumes that an increased supply of skilled labor creates an increased demand for this labor.²⁰

C. Deindustrialization

An area of particular concern in today's economic globalization centers on the effects of industrial decline. **When manufacturing jobs disappear, they are typically replaced by service and retail jobs that are lower-paying and non-unionized, two features that go hand-in-hand.** During the Industrial Revolution in the United States, manufacturing jobs offered poverty wages, long hours, and no benefits. However, over the years and especially following the Great Depression, great strides were made in raising job standards through protective legislation and unionization. The rise of unions in manufacturing jobs helped equalize bargaining power between workers and owners, allowing workers across the spectrum to gain higher wages, better working conditions, and improved benefits.²¹

Deindustrialization, which is the shift of jobs from goods-producing to service providing, reversed this upward trend. Of workers receiving minimum wage or less per hour, about 60% are employed in the retail industry and an additional 20% are employed in the service industry.²² While taking steps to raise the standards of service sector jobs up to par with those in the lost manufacturing jobs is one way of ameliorating the conditions, the current political and social climate is not conducive to such changes. As a

¹⁹ U.S. Census Bureau, March 2001 Current Population Survey, Tables F-1 and F-3

²⁰ Cormier, D., Craypo, C. "The working poor and the working of American labour markets", *Cambridge Journal of Economics* 2000, 24, 691-708.

²¹ Ibid.

²² "Characteristics of Minimum Wage Workers: 2002", U.S. Department of Labor, Bureau of Labor Statistics. Table 5.

result, deindustrialization is bringing with it an increase in the number of working poor and a deterioration of their overall situation.²³

D. Deindustrialization in St. Joseph County

In the 1950s, South Bend was a prosperous industrial town. The dominance of unionized manufacturing jobs helped push up the wages of all workers in the region, with local wage averages exceeding national averages. However, deindustrialization struck South Bend area more severely than most cities.²⁴ In addition to losing a disproportionate share of manufacturing jobs relative to the rest of the country, South Bend saw these jobs replaced by service sector jobs to a greater extent than the national trend. Since 1950, manufacturing jobs as a percentage of total private sector jobs decreased nationally by a half while in South Bend they decreased by two-thirds. At the same time, service sector jobs tripled their share of total jobs nationally, while in South Bend they increased six-fold.²⁵

Deindustrialization in St. Joseph County has resulted in significant decreases in local incomes relative to national averages. The median (or middle) family income in South Bend in 1940 was 33% higher than the national median. By 1990, however, it had dropped to 16% below the national figure.²⁶ In addition to offering lower wages and poorer benefits than the manufacturing jobs they replaced, service and retail jobs provide little to no opportunity for advancement and are often part-time.²⁷ The changing labor market in St. Joseph County, and the city of South Bend specifically, has caused polarization of resources and incomes, with a growing number of working-poor and unemployed people living in poverty.²⁸ There is no indication that the labor market in St. Joseph County will change anytime soon, therefore wages and income levels can be expected to remain at current low levels.

V. Energy Prices

A. Overview

Concurrent with the rise in poverty in South Bend, energy prices nationally and locally have steadily risen, increasing sharply in the past four years. By examining the effects of rising energy prices in St. Joseph County, this report focuses on natural gas as the primary source of household energy. Seventy-seven percent of Midwest homes heat

²³ Cormier, D. and Craypo, C. "The Working Poor and the Working of American Labour Markets" *Cambridge Journal of Economics* 2000, 24, 691-708

²⁴ Craypo C. and Cormier D., "Job Restructuring as a Determinant of Wage Inequality and Working-Poor Households" *Journal of Economic Issues*. Vol XXXIV No. 1 March 2000. p28

²⁵ Cormier, D. and Craypo, C. "The Working Poor and the Working of American Labour Markets" *Cambridge Journal of Economics* 2000, 24, 691-708

²⁶ U.S. Census Bureau

²⁷ Craypo C. and Cormier D., "Job Restructuring as a Determinant of Wage Inequality and Working-Poor Households" *Journal of Economic Issues*. Vol XXXIV No. 1 March 2000. p23-24

²⁸ Cormier, D. and Craypo, C. "The Working Poor and the Working of American Labour Markets" *Cambridge Journal of Economics* 2000, 24, 691-708.

with natural gas, and this percentage is even higher in St. Joseph County, where 86.4 percent of homes use natural gas.²⁹

Consumer natural gas prices are the sum of three components: transmission costs (transporting gas in interstate pipelines to local utility companies), distribution costs (delivering the gas to homes and businesses), and commodity costs (wellhead price, or cost of the actual gas). Deregulation of wellhead prices have made consumer prices sensitive to changes in market conditions, which in the past four years has resulted in extremely high and fluctuant prices.

Gas prices in the 2000-2001 heating season reached historic highs due to supply shortages combined with unusually cold weather. A number of factors merged to push up prices again to unprecedented levels in the 2002-2003 heating season. The average natural gas winter bill for Midwest households between 1997-1999 was \$550, while the average for 2000-2004 was \$811 - a 47.5% increase. In comparison, the Consumer Price Index for urban consumers in the Midwest showed an increase of 8.8% between these two time periods.³⁰ Using increases in the CPI as a measure of inflation, the price of natural gas rose 5.4 times that of inflation.

B. Causes of Price Increases

Many factors contributed to the elevation in natural gas prices. Both domestic production and net imports of natural gas fell by about 3% in 2002, and net imports continued to decline during the 2003 heating season.³¹ However, demand rose sharply in 2002 due to the unusually cold winter. The American Gas Association estimated that residential demand increased by 12 percent, compared with the previous winter for Midwest customers.³² The higher than normal demand for natural gas depleted storage levels, causing demand and prices to remain high even after the winter months.³³ Commercial demand also has been rising as the electricity generator industry has increasingly turned to natural gas as a cleaner and more efficient alternative to coal-fired generators.³⁴

The price of natural gas is also affected by the prices of other energy sources, especially oil, which is its closest substitute. Political turmoil in the Middle East has helped elevate oil prices to a thirteen-year high with expectations that prices may further increase due to OPEC production cutbacks, strong global demand, and new environmental regulations. High oil prices have dissuaded electricity generators and other high-volume industrial consumers from switching to oil-based substitute fuels in the face of rising natural gas prices, which has helped maintain the high prices for natural gas.³⁵

²⁹ Energy Information Administration, "Residential Natural Gas Prices, Information for Consumers" http://www.eia.doe.gov/oil_gas/natural_gas/analysis_publications/natbro/gasprices.htm Residential Energy U.S. Census Bureau DP-3. "Profile of Selected Economic Characteristics: 2000", Census 2000.

³⁰ U.S. Department of Labor, Bureau of Labor Statistics, series Id: CUURO2OOSAO

³¹ Energy Information Administration, "Residential Natural Gas Prices, Information for Consumers"

³² Indiana Utility Regulatory Commission, "Gas Report to the Regulatory Flexibility Committee of the Indiana General Assembly" September, 2003, p3

³³ Energy Information Administration, "Residential Natural Gas Prices, Information for Consumers"

³⁴ Energy Information Administration, "Annual Energy Outlook 2004 with Projections to 2025"

³⁵ Energy Information Administration, "Residential Natural Gas Prices, Information for Consumers"; Schlesinger, Jacob M. "Gas Prices Could fuel Rocky Ride for Bush", Wall Street Journal, March 19, 2004, page A4

C. Future Energy Price Levels

According to some estimates, natural gas demand is increasing at an annual rate of 3 percent, while supply is increasing only 1 percent per year. As a result, natural gas prices can be expected to remain high.³⁶ The Energy Information Administration confirms this view, estimating that while consumer prices for natural gas may decrease minimally in the next couple of years, prices will have an overall upward trend over the next twenty years.³⁷ Because natural gas prices can be expected to remain high, low-income families will likely have similar winter heating problems in the years ahead.

VI. Federal Heating Assistance

A. Development of Federal Energy Assistance Programs

Authorities have created a number of assistance programs in response to the inability of low-income families to stretch their budgets to cover winter heating expenses. These programs are funded from one or more of three sources: federal government funds, state/local assistance funds, and private donations.

The first federal expenditure directed toward energy problems for low-income families was granted in 1974 in response to the rise in oil prices from the Organization of Petroleum Exporting Countries' (OPEC) oil embargo in 1973. Appropriations grew from \$478,000 for a pilot program in 1974, to \$16.5 million the following year, and then to \$200-\$300 million each year during 1976-1979. The programs funded during this time focused primarily on home weatherization and energy crises intervention. One of the main programs established at this time, which continues today, is the Department of Labor's *Weatherization Assistance Program* (WAP). WAP assists homes in cutting energy costs by educating and assisting them in how to conserve heat and use less energy.

The federal government shifted its approach to energy assistance in 1980, following OPEC's decision the year before to increase crude oil prices by 40 percent. The federal government's assistance programs were expanded in order to take a broader approach to preventing fuel payment emergencies by focusing not only on weatherization and crises intervention, but also on providing direct assistance to low-income families. In 1980, \$1.6 billion was appropriated to assist low-income households with rapidly rising energy costs. The following year, appropriations increased to \$1.85 billion.

In 1982, the U.S. Department of Health and Human Services initiated a **\$1.875 billion Low-Income Home Energy Assistance Program (LIHEAP)**. It was designed to provide assistance for heating, cooling, energy crisis, weatherization, and other energy-related home repairs. LIHEAP continues to be the primary federal government program for energy assistance; however, its funding has seen no systematic increases since its initiation in 1982.³⁸ In 2004, LIHEAP funding totaled only **\$1.888 billion**.³⁹

Besides LIHEAP, the other main federal energy assistance program today is the Weatherization Assistance Program (WAP). Relative to LIHEAP, WAP has a small

Indiana Utility Regulatory Commission, "Gas Report to the Regulatory Flexibility Committee of the Indiana General Assembly" September, 2003, p3

³⁶ "Natural Gas Prices- Wholesale - Historical and Forecast," *Energy Shop*, NRG News,

³⁷ Energy Information Administration, Annual Energy Outlook 2004 with Projections to 2025"

³⁸ "Chronology of Federal Energy Assistance Programs" Low Income Home Energy Assistance Program (LIHEAP), U.S. Department of Health & Human Services

³⁹ U.S. Department of Health and Human Services, Division of Energy

budget. In 2003, it received \$233.5 million, a significant portion of which was granted by LIHEAP.⁴⁰

B. Federal Funds in Indiana

Federal funds for energy assistance are administered in Indiana through Community Action Agencies (CAA) within each of the state's ninety-two counties. In 2004, Indiana received approximately \$46.3 million from LIHEAP, or 2.63 percent of the program's total allotment for states.⁴¹ LIHEAP money is used primarily to run the Energy Assistance Program (EAP), which provides financial assistance to low-income households for maintaining their utility service during the heating season. In addition, households that qualify for EAP are eligible for Indiana's winter Moratorium on disconnection, which means their utilities cannot be shut off from December 1 through March 15. In 2003, LIHEAP estimated it served 126,855 households in Indiana, with assistance ranging from \$100 to \$535 and averaging \$250 per household.⁴²

Indiana's Weatherization Assistance Program (WAP) provides low-income households with residential energy conservation services. In 2003, it received approximately \$13 million, \$11 million from federal funds and the remainder from Indiana's *State Weather Energy Efficiency Program*.⁴³ An estimated 2,700 homes were weatherized through Indiana's WAP in 2002.⁴⁴

LIHEAP and the WAP funds for St. Joseph County are administered by *Real Services*, which has two offices in the county. To receive assistance, applicants must have a total household income at or below 125% of the federal poverty guidelines and meet a number of other criteria. Real Services' EAP provides assistance from November through May or until funds run out. It provides a one-time credit towards energy bills, which cannot be used for payment on old bills, deposits, or reconnect fees. The WAP provides a health and safety inspection of furnaces and water heaters, as well as cellulose insulation in attics and side walls.⁴⁵

C. Inadequate Federal Energy Assistance

The federal government has failed to respond to rising energy prices by increasing assistance appropriations, and the situation in Indiana has become even more critical as LIHEAP funding to the state has been reduced by more than \$21 million since 2000.⁴⁶ LIHEAP estimates that it helps approximately 4.6 million low-income families each year nationwide.⁴⁷ However, the LIHEAP Coalition calculates that only around 13% of

⁴⁰ "Weatherization Assistance Program", U.S. Department of Energy

⁴¹ "LIHEAP - FY 2004 State Allotments", LIHEAP; "FY 1982 - FY 2004 LIHEAP Allocations", Low Income Home Energy Assistance Program (LIHEAP), U.S. Department of Health & Human Services

⁴² "Energy Assistance Program", Indiana Family & Social Services Administration, Access Indiana, website: www.state.in.us/fssa/families/housing/eas.html

⁴³ "Weatherization Assistance Program", Indiana Family & Social Services Administration, Access Indiana website: www.state.in.us/fssa/families/housing/wap.html

⁴⁴ "Kernan urges Hoosiers to weatherize, plan or winter heating bills", Indiana Office of Utility Consumer Counselor- News Releases, October 27, 2003

⁴⁵ *Real Services'* website: www.realservicesinc.com/index.htm

⁴⁶ "Energy Assistance Program Begins Today, Available Funds Will Fall Short of Need", Indiana Citizens Action Coalition, November 2002; funds in 2000 were \$68 million compared with \$46.3 million in 2004

⁴⁷ "Weatherization Assistance Program", U.S. Department of Labor

families eligible for funding from LIHEAP actually receive assistance.⁴⁸ In other words, each year around 35 million low-income families are eligible and in need of assistance; however, the federal assistance program only helps a small portion of this group with a relatively small average contribution, about \$250 per household. Thus, a great deal of need is left to be addressed by states or to be unmet.

VI. Local Assistance

A. Township's Poor Relief

Indiana provides no state funds for direct energy assistance. Rather, assistance for low-income families, including energy assistance, is funded and administered by the state's 1008 townships. Indiana's local government structure dates back to the 1850s and functions primarily on three levels: counties, townships, and municipalities. Indiana is one of twenty states that have townships, and one of only three that operate their assistance programs for the low-income on more localized level than the county.⁴⁹

Property taxes are the primary source of revenue for all levels of Indiana's local government. Poor relief services are funded by property taxes collected within the local townships. In all, townships account for only about 7% of the total local government appropriations, with the majority of money going to the counties (48%) and municipalities (45%).⁵⁰

The townships provide poor relief assistance for utilities, food, housing, health care, and burials. In 2002, St. Joseph townships estimated the total value of benefits they gave to be \$708,886, which was distributed amongst 3370 households. To be eligible for assistance, applicants must meet a number of requirements, which vary to some degree among township. For all townships, the income cut off for eligibility is at the federal poverty guideline.

A fairly significant share of township assistance goes towards utilities. In 2002, \$252,080 in benefits was provided to 2127 households in St. Joseph County for assistance with utilities. Approximately half went to NIPSCO for help with gas bills.⁵¹ Utility assistance from the townships is available only for current bills and is not given for deposits, back bills or reconnect fees.

B. Additional Sources of Energy Assistance

Another important source of energy assistance for the area's residents is the *Family and Children's Center Counseling and Development Services* (FCCCDS or FCC). The FCC receives funding from a number of sources. United Way, its primary source of funding, gave the FCC \$95,120 in 2003, which was split between assistance for rent and utilities, with the larger part going towards rent. The FCC also receives utility funds from the *Federal Emergency Management Association* (FEMA) through its *Emergency Food*

⁴⁸ "Energy Crisis Looming for the Poor?", www.policyalmanac.org, 2000

⁴⁹ "The Indiana Project for Efficient Local Government: The next generation of the 1999 COMPETE study", *Indiana Chamber: The Voice of Indiana Business*, February 2004

⁵⁰ Note: Numbers based on 2002 budget. County appropriations equaled \$2.044 billion, Township appropriations were approximately \$284 million, and municipality appropriations were about \$1.914 billion, in all totaling approximately \$4.24 billion.

⁵¹ Summary of St. Joseph County's townships' "Form 15" 2002 (see appendix for table)

and Shelter Grant. Other funding comes from private donations.⁵² In addition, the FCC receives "matching funds" from NIPSCO and Martin's supermarket. Matching funds from NIPSCO have been capped at around \$50,000 for the past two years, which means that NIPSCO would match, dollar for dollar, assistance on NIPSCO bills, up to \$50,000.⁵³

The FCC is less stringent in its application process than the township trustees. For example, income guidelines are 125 percent of the federal poverty level. However, applicants for assistance must have first applied at their local township in order to apply for assistance at the FCC.

Other smaller agencies in the area that provide utility assistance include the Advocacy Center, Catholic Charities, Little Flower Catholic Church, and the Salvation Army. In 2004, NIPSCO provided \$656,000 to the Salvation Army to be distributed to NIPSCO customers in Northern Indiana for assistance with their winter heating bills or deposit costs. However, the money came from a \$3.8 million refund which the Indiana Utility Regulatory Committee had ordered NIPSCO to give to customers as a result of overcharging on gas costs, hence these funds are unlikely to be available in the future.⁵⁴

C. Insufficiency of Assistance Programs

In spite of the available resources for assistance with utility bills, **a significant number of St. Joseph County residents must either go without heat or cut back on other necessities in order to cover heating costs.** At the beginning of the 2003-2004 winter season, more than 1000 St. Joseph County families were on utility shut-off with an additional 2000 on shut-off notice.⁵⁵ Throughout the winter, the *South Bend Tribune* ran numerous articles highlighting the crises situation and relating the stories of different families going without heat, unable to reconnect to service due to high deposits and past due bills.⁵⁶

In response to the 2003-2004 heating crises, numerous organizations in the community collaborated to form the St. Joseph County *Heating Assistance Task Force*, with the goal of meeting the current heating needs of low-income families while working to prevent similar crises from occurring in subsequent years.⁵⁷ In addition, the United

⁵² From interviews with Dawn Chapla of United Way, March 2004

⁵³ "Salvation Army to Distribute Heat Aid to NIPSCO Customers", *Indiana Office of Utility Consumer Counselor*, News Release. January 20, 2004

⁵⁴ "Salvation Army to Distribute Heat Aid to NIPSCO Customers", *Indiana Office of Utility Consumer Counselor*, News Release. January 20, 2004

⁵⁵ United Way Public Newsletter, November 10, 2003

⁵⁶ A sample of articles includes: "Donor pays gas bill for family" October 26, 2003: A1; "Total gas bill still at \$2500" November 2, 2003, A1; "Bills now plaguing husband who struggles with illness: Family needs more than \$2,000 to have their heat turned back on" November 3, 2003: A1; "Single mom loses job, falls behind in bills: Future teacher hopes to have heat before winter" November 4, 2003: A1

⁵⁷ Those in attendance of the first meeting included representatives from the following organizations: Advocacy Center, Catholic Charities, Family and Children's Center (FCCCDS), Higgins Research Center, Hope Rescue Mission, Jewish Federation of St. Joseph Valley, La Casa de Amistad, Little Flower Catholic Church, Notre Dame Center for Social Concerns, Penn Township Trustee office, Portage Township Trustee office, Real Services, Salvation Army, St. Margaret's House, St. Vincent de Paul, United Way. Representatives from the following organizations attended later meetings: American Electric Power (AEP), AIDS Ministries, City of South Bend Code Enforcement, Clay Township Trustee's Office, Cook Heating, County Commissioner (District 1), Liberty Township Trustee's Office, Lincoln Township Trustee's office, Madison Township Trustee's office, Mishawaka Utilities, NIPSCO, Public Information Group, South Bend

Way Board of Directors decided to release money from their emergency reserves towards a one-time emergency grant for heating bills. The grant totaled \$171,500 and was distributed within just two months to 382 households. The bulk of the money, \$122 thousand, went towards covering deposit fees because assistance towards deposits is extremely difficult to obtain.⁵⁸

VII. Analysis of Current Situation and Problem

While the effects of the heating crises this winter were mitigated to some extent by the community's emergency efforts to increase aid, such as United Way's extra funds and special private donations, these extra funds may not be available in the future. Moreover, energy prices are projected to remain high and no change is likely to occur with levels of income. Thus, preventing a similar crisis from occurring in the future requires that improvements be made in the community's provision of assistance to low-income families. The following sections take a closer look how assistance within St. Joseph County is provided and how it can be improved.

A. Current Levels of Township Assistance Funds

Over the past twenty years, the proportion of township appropriations going towards poor relief as a percentage of total appropriations has decreased significantly. In 1982, 51.2 percent of total township appropriations were for poor relief, in 1995 the amount had decreased to 30.4%, and by 2002 poor relief represented only 23% of total appropriations.⁵⁹

In addition to appropriating lower percentages of funds to poor relief, less and less of the poor relief funds are actually being given out as assistance. Appropriations for poor relief are used for two purposes, providing assistance to low-income households and covering administrative costs. Between 1995 and 1998, the total value of benefits (unadjusted for inflation) given out in poor relief decreased by 20% and the total number of households receiving assistance decreased by approximately 61%. However, the administrative costs and the number of poor relief staff remained constant.⁶⁰ In recent years, appropriations for administrative costs have actually increased.⁶¹

This trend needs to be reversed. Spending on administrative costs need to be reduced while direct assistance levels should increase to accommodate the rising poverty level in the area.

City Attorney's Office, South Bend Housing Authority, South Bend Fire Department, South Bend Mayor's office, Step Ahead, Social Security Administration, Union Township Trustee's office, URC Advocacy Center, YWCA of St. Joseph County

⁵⁸ Dits, Joseph. "United Way emergency heat aid almost gone", *South Bend Tribune*. December 12, 2003; D1

⁵⁹ "Distribution of Township Poor Relief in Indiana", *Indiana Fiscal Policy Institute*, Fiscal Policy Report No. 14, January 1997. p14

"The Indiana Project for Efficient Local Government: The next generation of the 1999 COMPETE study", *Indiana Chamber: The Voice of Indiana Business*. February 2004 p10

⁶⁰ Byers, Klotz, Kirby, Hishigsuren, "Final Report on of the Community Social Services Study of the impact of Indiana's Welfare Reforms" Executive Summary. Indiana University Institute for Family and Social Responsibility. 2000

⁶¹ "Distribution of Township Poor Relief in Indiana", *Indiana Fiscal Policy Institute*, Fiscal Policy Report No. 14, January 1997. p4

B. Structural Problems with the Township System

For many years, efforts have been made to reform Indiana's structure of government, dissolving the township and incorporating their responsibilities into those of the counties and municipalities. A recent report by the Coalition on Monitoring Public Efficiency and Tax Expenditures (COMPETE), a coalition of Indiana businesses partners, has helped fuel the debate. The study suggests that both poor relief and property assessment should be run on a county basis, citing the inefficiency and irregularity associated with running them at the township level.

*The study found that statewide, townships spend 90 cents on administrative costs for every dollar of assistance given. In comparison, a study of 1600 non-profit organizations found that average administrative costs as a percentage of total expenses ranged from 13.5 to 18 percent. The COMPETE study estimates that \$26.06 million, or 42 percent of current poor relief appropriations, could be saved by transferring poor relief to the county level and making it accountable to the Family and Social Services Administration, the organization that administers Indiana's federal welfare funds.*⁶²

Defenders of the current system point out that the advantage of administering poor relief on such a localized level is that assistance can be catered more personally to the needs of the local community. *Township trustees come from the area in which they serve, thus they have an understanding of the needs of the people.* In addition, while the State Board of Accounts issues guidelines for assistance and provides townships with a standardized "Application for Township Assistance", townships are less regulated than most welfare systems. As a result, trustees have a lot of flexibility in deciding how to best address individual needs and circumstances. The benefit to this system is that it recognizes the importance of flexibility in dealing with the variety of circumstances and situations facing people. Nevertheless, considerable drawbacks exist with the current structure.⁶³

C. Irregularity in Assistance Amongst Townships

A major problem with the township system is that it allows 1008 trustees to decide on the criteria used within their district to determine who receives assistance. Thus, living in one township versus another may be the deciding factor in whether or not a person receives assistance. In addition, because poor relief funds come from local property taxes, some townships face greater budgetary constraints than others, which can be reflected in their willingness to give aid.⁶⁴ While a township by law cannot run out of funds for poor relief and must apply for permission to appeal to borrow money in such a circumstance, there is pressure within townships to minimize the amount of aid given out in order to keep property taxes low.⁶⁵

⁶² Calculation based on a FSSA standard of 10 percent administrative costs to total expense ratio.

⁶³ "The Indiana Project for Efficient Local Government: The next generation of the 1999 COMPETE study", *Indiana Chamber: The Voice of Indiana Business*. February 2004

⁶⁴ "Distribution of Township Poor Relief in Indiana", *Indiana Fiscal Policy Institute*, Fiscal Policy Report No. 14, January 1997

⁶⁵ "Distribution of Township Poor Relief in Indiana", *Indiana Fiscal Policy Institute*, Fiscal Policy Report No. 14, January 1997

⁶⁵ IC 12-20-20

Because poverty is often concentrated in urban areas, it is unevenly distributed throughout the townships, tending to be heavily concentrated in some townships. As a result, the townships with high concentrations of poverty face both the highest need levels and the lowest fiscal resources.⁶⁶ This problem is particularly apparent amongst St. Joseph County townships. The county is divided into 13 townships: Centre, Clay, German, Greene, Harris, Liberty, Lincoln, Madison, Olive, Penn, Portage, Union, and Warren. The three largest are Portage, Penn, and Clay, each containing approximately 40, 27, and 13 thousand households respectively.⁶⁷

Much of South Bend's inner city and low-income housing falls within the lines of Portage Township. Thus, while Portage Township contains roughly 37 percent of the households in the county, it receives more than 80 percent of the county's requests for assistance (see appendix for chart).⁶⁸ The concentration of poverty in Portage and the corresponding high level of need creates a financial burden for the township, which is then passed on to its residents.

Until recently, each county handled the checkbooks for its townships. Because of the high levels of need in Portage and limits put upon tax rate increases, the appropriated funds for poor relief in Portage were often insufficient. As a result, the county would issue a bond to supply Portage with additional funds. Simultaneously, in townships where the population was predominantly in the middle and upper socio-economic levels, such as Harris and Penn, the townships ran significant surpluses on their poor relief funds.

Three years ago, the state legislature gave the townships control of their own checkbooks. As a result, townships with surpluses from the poor relief funds are able to hold the surpluses themselves and make money on the interest payments. At the same time, townships such as Portage must now take out loans when they need more funding for poor relief, money which then must be paid back with interest by the area's tax payers.⁶⁹ In 1999, Portage Township borrowed \$1 million, in 2000 it borrowed \$500,000, and in 2003 it borrowed \$1.5 million. These loans are translated into tax increases for local residents the following years. This burden in Portage Township became especially apparent in recent years with property tax reassessments. Between 2002 and 2003, Portage Township increased its tax rate 248 percent compared to St. Joseph County's 8.5 percent increase.⁷⁰

While burdening its residents with higher taxes than other townships, Portage also faces greater financial and social pressure to reduce its spending on poor relief. This pressure can be seen playing a role in the amount and frequency with which it gives assistance. In 2002, Portage Township met around 20 percent of requests for assistance. In comparison, the combined average for the other 12 townships was 25.3 percent. Four townships actually met 100% of requests. In addition, the average value of benefits distributed to households in Portage was \$183, significantly lower than the average \$307 for the other 12 townships.⁷¹

⁶⁶ "Distribution of Township Poor Relief in Indiana", *Indiana Fiscal Policy Institute*, Fiscal Policy Report No. 14, January 1997. p15

⁶⁷ Numbers from Census 2000 Housing Unit Count

⁶⁸ Based on summary of "Form 15" from St. Joseph County townships, 2002

⁶⁹ Interview with John Lentz of the South Bend City Auditor Office, March 25, 2004

⁷⁰ DeAgostino, Martin. "Local Needs Played Role in Tax Hikes: Portage Township Homeowner Support Multiple Taxing Units" *South Bend Tribune*. December 4, 2003

⁷¹ See appendix for table.

D. Changes to the Poor Relief System

The current structure for administering poor relief at the township level fosters geographical discrimination. This discrimination is both unfair and destructive to the well-being of the community as a whole. It perpetuates the concentration of poverty and the unequal distribution of poor relief and tax burdens in certain townships. The current structure creates incentives for families with means to move out of poorer areas because of high tax rates, leaving behind those too poor to move. The downward spiral that results creates a vulnerable wedge in the community, an area having the lowest revenue capacity and the highest fiscal burden.

Administering poor relief on the state or county level in Indiana, as is done in most states, would allow for more consistent eligibility requirements and a more equitable distribution of assistance and the associated tax burden. In addition, welfare services currently administered on the state level, such as TANF, could be coordinated with the poor relief system to achieve greater efficiency through economies of scale and scope.

Short of restructuring local government, poor relief records, including amounts of aid given out and reasons and frequency of denials, need to be made more publicly accessible in order to raise public accountability regarding the efficiency and equity of poor relief distribution. Currently, this information is available by request from the Indiana State Board of Accounts for a small fee; however, the information should be available from the local township offices, through the internet, and/or through local media sources

E. Problems with the Application Process

Within the past few years, numerous local organizations that provide energy assistance worked together to develop a process for applying to the different organizations in an attempt to reduce redundancy and create order. When applying for assistance with utilities, applicants must go first to Real Services, after which they can go to the Township Trustee's office, and finally to the Family and Children's Center Counseling and Development Services (FCC). In order to receive assistance from the FCC, an applicant must produce a copy of the "Notice of Poor Relief Action" form given to him/her by the township trustee's office. The form states whether poor relief assistance was given or denied, including the amount given or the reasons for denial. This form is also necessary to apply for assistance through the Salvation Army and a number of other smaller private organizations. The logic behind this order is that applicants should exhaust federal and local government assistance sources before turning to the more limited private assistance programs. In this way, the latter private organizations are best able to use their funds to assist those who fall through the cracks of the current system, those who truly need assistance but do not qualify for the government programs.

A major challenge with the process outlined above is that applicants are required to go the township trustees before applying for assistance from the FCC or Salvation Army. The township trustees are often the least likely to give assistance, only assisting in about one-fourth of cases, but they have the most time consuming application process.

The state issued application for township assistance is a very detailed 10-page form of which few people on first glance can make sense. While all townships use this

form, most require that only certain parts be filled out. In addition, applicants for township assistance must present a number of documents when applying for assistance, but these requirements also vary by township. A general overview of the forms required includes: Social Security card, birth certificate/ID, marriage license, wage statement or check stubs, receipts on all expenditures for the last 30-60 days, original utility bills and printouts, and referrals from any assistance program the applicant is currently receiving aid from, such as HUD, social security, food stamps, unemployment compensation, and welfare.⁷²

Many applicants have trouble coming up with all of the required documentation. Especially if applicants are unfamiliar with the application process, they may not have saved every receipt for the past month or have the original copies of their utility bills, etc. In addition, they rarely know what information they need until they have come into the trustee office at least once. None of the townships distribute comprehensible lists of their requirements, nor will they provide this information to applicants over the phone. Because of their highly specific requirements, poor relief offices prefer to have applicants come in to have all the requirements explained to them in person so there is no risk of miscommunication.⁷³ However, this process involves a great deal of time because it means at minimum two trips to the township office. Because the townships will not allow applicants to schedule appointments in advance, each trip to the township office can often take an entire day. The difficulty and time loss involved in the application process acts as a deterrent for many low-income families, something which may be considered beneficial by the townships. However, those most discouraged from applying are the working poor because they have the most to lose in sacrificing two or more days' wages, if taking days off work is even a possibility.

After going through the time consuming and often belittling experience of applying for assistance at the township trustee, the three-fourths of applicants who are denied assistance must then pursue assistance at other organizations, entailing further loss of time.⁷⁴ Many applicants who receive township assistance also apply to other programs because the level of assistance is insufficient to meet their needs. However, in both cases, applicants must first apply to the township trustee before being eligible for assistance from programs such as the FCC.

Real Services application process provides an example of a more feasible approach. Real Services has a concise and comprehensible list of its documentary and procedural requirements posted on the internet and in fliers made available to low-income families. In addition, Real Services offers applicants the option of mailing in an application for assistance so that they do not have to sacrifice an entire day in the application process. Because of the high volume of clients that come in seeking assistance, Real Services also recommends that applicants call in advance and schedule an appointment so that they don't get stuck waiting all day to meet with someone.⁷⁵

F. Reforms to the Application Process

⁷² Requirements based on checklist provided by Portage Township

⁷³ Information acquired from meeting held with Township Trustees, January 12, 2004

⁷⁴ Complaints about the lack of respect and dignity shown to applicants for assistance at Portage Township are frequently brought up when low-income people apply at other organizations. Information based on conversations with workers at other assistance agencies in St. Joseph County.

⁷⁵ *Real Services, Inc.* Energy Assistance Program application and information packet; Fall/Winter 2003/2004

Short of revising the entire Indiana assistance program structure so that assistance is administered on the county or state level, a major improvement to the current application procedure could be achieved by standardizing the township requirements and making the information public. If other aid agencies had this information, they could educate people they send to the township trustees about what the township will require so that the applicants can prepare the documents they need before going to the township offices. This would save time on the part of the applicants as well as the townships' administrative staff. In addition, offering the option of mail-in applications and pre-scheduling appointments would go a long way towards reducing the amount of time and hardship spent in the application process. While townships may be hesitant to enact these changes out of fear that more people will apply for assistance, streamlining the application process could potentially save the townships, especially the larger townships such as Portage, significant amounts of money in reduced administrative costs.

G. Interagency Collaboration

Assistance organizations in St. Joseph County currently do not share information on their clients and have only limited information on other programs' services. Collaborating more closely could significantly reduce the time and frustration involved in verifying client information and eligibility because this information could be verified by one organization and then shared with the others. While the vast majority of applicants for assistance are in desperate need, a minority exploit the system. Allowing organizations to see an applicant's history with other organizations would help in determining who really needs assistance and how much assistance applicants have received from other agencies.

Greater communication between the various organizations would make it easier for organizations to refer applicants they cannot fully help to other programs which could assist them. It would also benefit agencies to have access to information regarding what happens to clients they refer to other agencies because they could provide better follow-up or long-term assistance.

The most efficient and feasible method for sharing client information would be by storing clients' files electronically in a database accessible to all participating agencies. The greatest obstacle for implementing this system is lack of funding. Creating a database, maintaining a database, and educating agency staff in the use of the electronic files would require a significant amount of funding that private organizations may not have. However, implementing such a system is an investment that should be considered by the local government because of the potential long-term financial savings and improvement in service to low-income citizens. Even if client information is not shared, greater education should be achieved within agencies about the services provided by other programs.

H. Problems with the Winter Moratorium Program

The state mandated energy shut off Moratorium between December first and March 15 provides a crucial service in guaranteeing that heat will not be shut off for eligible low-income households during this time. However, the program has a number of drawbacks. One issue confronting Northern Indiana residents is that while the Moratorium ends in mid-March, cold weather frequently continues into late March to mid-April. As a result, many homes are shut off from their heat before the winter season actually ends.

Another significant problem associated with the Moratorium is that it results in large past-due and deposit bills for which assistance is often not available. Because there is no mechanism to encourage regular bill payment during the Moratorium, many program participants pay little or nothing on their heating bills during the winter. At the end of every heating season, approximately 500,000 households in the state of Indiana are disconnected for not paying on their bills.⁷⁶ Added to the high bills that build up, NIPSCO charges very high deposit fees for connection and reconnection. The excessively large deposit fees charged by NIPSCO may be in part a response to the Moratorium and used both to discourage low-income households from attaining service and as a partial insurance against low-income households that do not pay on their bills once connected.

Most assistance programs in St. Joseph County, including Township Trustees and Real Services, will not help with payment on old bills or deposits, thus assistance is not available for getting reconnected. The organizations that do, such as Little Flower Catholic Church, Catholic Charities and the Advocacy Center, are seeing vast drains on their resources paying deposit fees ranging from \$400 to \$1000, and many low-income households are simply unable to get assistance with these bills.

J. Modifications to the Moratorium Program and Deposit Charges

The problems associated with the Moratorium and deposit fees need to be addressed in a number of ways. On the most basic level, the Moratorium needs to be extended to cover the end of the winter season for northern Indiana residents. Legislation was introduced this winter in the State Senate to extend the Moratorium to run from November 1st through March 31; however, the bill was not passed.⁷⁷

Another improvement would be creating some means of encouraging families on the Moratorium to continue paying what they can on their energy bills to reduce the build up of back bills. Steps toward this end have been made by the Energy Assistance Task Force, which stipulated regular payment on winter energy bills as a requirement for recipients of the United Way Emergency Funds in order to be eligible for assistance from the FCC in the future. In addition, the Task Force organized free budgeting and winterization classes to educate low-income families on how to reduce and budget for high winter heating bills. Requirements and classes such as these are useful in helping low-income families maximize their limited budgets and avoid utility shut-off.

However, low income presents real limits no matter how well families budget their money. Local and federal assistance funds should be made available for use on back bills and deposit fees as these present a serious problem for many families in connecting to energy in the winter. In addition, deposit fees need to be capped at a reasonable level. Deposits ranging into the \$1000s are neither necessary nor typical. Other local energy providers, such as AEP and the Mishawaka Utility Co. do not have deposit fees nearly as large as those of NIPSCO.⁷⁸ While NIPSCO agreed in 2004 to cap its initial deposit payment at \$300, with the balance paid in installments over the next three months, this does not fully address the problem.⁷⁹

⁷⁶ DeAgostino, Martin. "Heat Deposit Bill Off Senate's Plate" *South Bend Tribune*, February 18, 2004. A2

⁷⁷ Senate Bill 0387

⁷⁸ Information obtained from discussion at Heating Assistance Task Force meetings in which representatives from AEP and different aid organizations spoke on the deposit fees they had seen from different clients applying for assistance. High deposit fees seem to be a unique problem of clients of NIPSCO.

⁷⁹ "Gas company policy change isn't the answer" *South Bend Tribune*. January 14, 2004. A8

Recent legislation to cap deposits at the amount of a customer's estimated bill for one month was proposed and passed in Indiana's House government, but blocked in the Senate.⁸⁰ An alternative bill was proposed this winter in the State Senate to cap deposits at two times the average monthly bill, but this too languished.⁸¹

Another way to alleviate some of the burden of deposit fees is allowing aid agencies to issue a letter of credit to cover the deposit, which would be collectible by NIPSCO in the case that the deposit needed to be used towards a bill. Currently, NIPSCO holds customer's deposit money and the accumulating interest. Allowing agencies to issue a letter of credit would allow them to keep the interest on these funds and to retain the funds in case they do not have to be applied to future bills.

K. Summary of Problems and Options for Improvement

<i>Cause of Community Failure</i>	<i>Responses</i>
1. Township Trustee System a. Level of Assistance b. Ratio of Administrative Costs to Direct Assistance Geographical Discrimination Structural Inefficiency c. Application Process	a. Increase Assistance levels to correspond to rising need b. Transfer Poor Relief to the state or county level and/or Increase public accountability by making records more accessible to the public c. Reduce time involved in applying: allow mail in applications and appointments in advance, make criteria more accessible and comprehensible
2. Lack of Coordination between Agencies	a. Create a shared client database b. Improve referral system between agencies
3. Moratorium	a. Extend to March 30 b. Enforce or encourage minimal regular payment on monthly bills
4. High Deposit/Back Bills	a. Make government assistance available for back bills and deposits b. Cap deposits charged by NIPSCO

VIII. Conclusion

The risks associated with lack of heat and the sacrifices necessary to pay heating bills are of serious concern for the safety of low-income families and the wellbeing of the St. Joseph County community. Rising heating prices have pushed many low-income

⁸⁰ House Bill 1237 was passed in January 22, 2004 and moved to the Senate as Senate Bill 1237 where it did not receive a hearing.

⁸¹ Senate Bill 0427

families into situations of financial crises. Similar crises in the future are only avoidable if one of three things changes: energy prices decrease, accessibility and levels of assistance increase, or the income levels of the poor increase.

Energy prices are projected to rise over the long term, but there is nothing to suggest that working poor incomes will be rising. Thus, in the short run, this situation can feasibly be addressed only by improving community assistance to low-income households.

A number of changes can be made to improve assistance to the low-income in St. Joseph County. First, local government assistance funds should be increased to meet the rising needs of low-income families. However, providing poor relief on the Township level is inefficient and a disproportionate amount of funds go towards administrative costs. The extremely localized structure of the townships causes inequity in distribution of assistance and tax burden. Additionally, the townships provide an inadequate level of assistance while using an overly time-consuming application process.

Greater efficiency and equity can be reached by transferring poor relief administration to the state or county levels. At the same time, greater public accountability would encourage local government to use funds more efficiently and equally across townships. Finally, the application process for township assistance needs to be restructured to reduce the time involved. This can be achieved by providing mail-in applications, allowing applicants to schedule appointments in advance, and making assistance criteria more comprehensible and available to applicants before they come into the township office.

Second, greater inter-agency collaboration would help agencies more efficiently and successfully meet the needs of low-income families. Information should be shared on the services provided by different organizations and creating a shared client database should be considered.

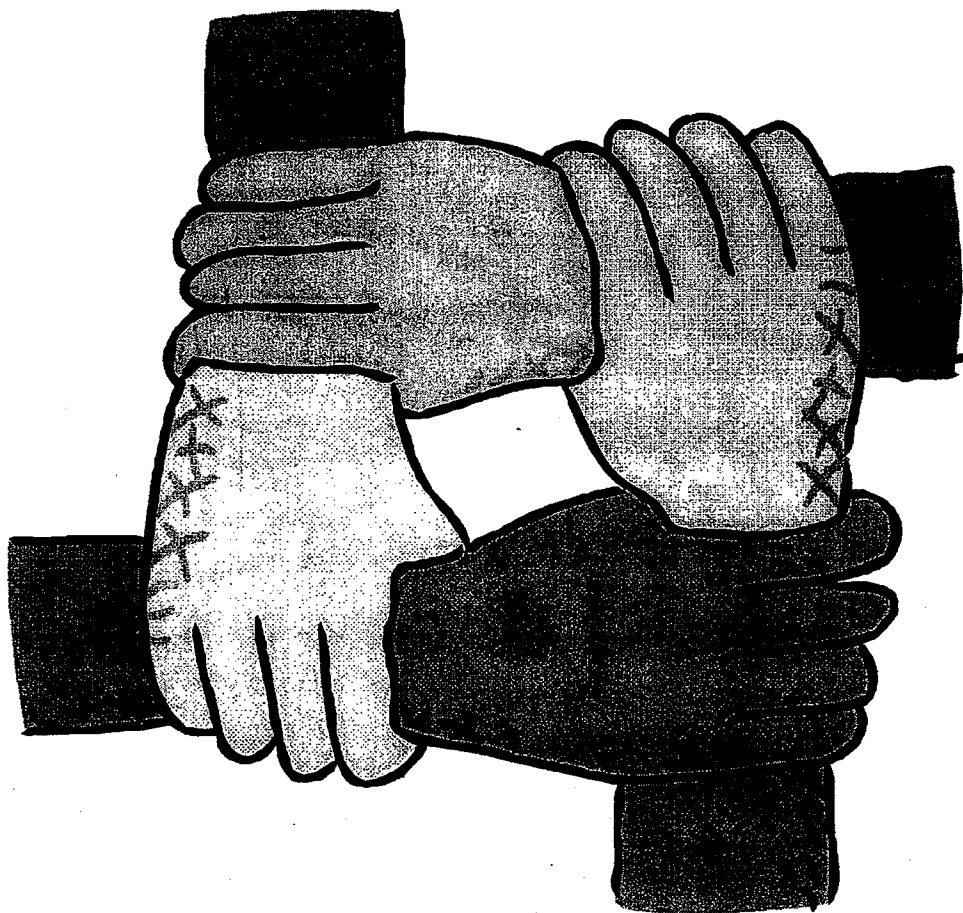
Third, the winter Moratorium, while beneficial, needs to be modified so that it does not result in thousands of households unable to connect to service in the fall. Mechanisms for encouraging or requiring a minimal but regular bill payment during the Moratorium should be considered. At the same time, deposit fees should be capped at a reasonable level, such as the average for a one-month bill, and government assistance should be made available on deposit fees and back bills. Additionally, the Moratorium should be extended in northern regions of the state to cover the entire winter season.

These changes are crucial to meeting the short term problems associated with energy price increases. However, in the long term, this problem can only be alleviated by addressing the deeper problem: insufficient income. The root of the current crises ultimately lies in the economic and social structure of society and its method of wealth creation and distribution. The current structure allows vast numbers of people to earn incomes below the level necessary to meet daily living expenses. Moreover, it gives them little opportunity to escape this situation. Because these individuals are just scraping by on a daily basis, adverse events, such as rising energy prices, are enough to push them over the edge into budgetary crises. Adverse events occur on an individual level in low-income families all the time, such as a car that breaks down, a medical emergency, a family break-up or some other unexpected occurrence that creates extra financial burden. In contrast to the effects of rising energy prices, these problems are more easily ignored

by the community at large because they do not simultaneously affect entire segments of the population.

Streamlining assistance programs, providing more assistance money, and teaching low-income families how to go farther on limited budgets, while useful, can only mitigate the problems associated with low-income to a small degree. In the long run, to prevent future crises, similar to the one facing St. Joseph County this winter, the underlying problem of why so many people have such low-incomes needs to be addressed

St. Joseph County Building Self-Sufficiency Task Force



**Report To The Community
November 10, 2004**

St. Joseph County Building Self-Sufficiency Task Force

Dear Community Members;

The St. Joseph County Building Self-sufficiency Task Force was created in 2003 to respond to our community's rising demand for assistance in the area of emergency needs for basic living requirements. Local agencies, government, faith and community advocacy groups have come together for the last 11 months to address the multitude of problems facing the underprivileged, elderly, disabled and working poor who are struggling to attain self-sufficiency in our community.

This effort was spearheaded by the United Way of St. Joseph County as an outcome of its Fall 2003 one-time Emergency Heat Assistance Grant. When trying to answer questions regarding how much is spent in our community on this need, how much is the *unmet* need, and why the need is growing, we realized that we needed to assemble and begin sharing our concerns and information. The Task Force has been meeting monthly; however, our sub-committees have been devoting significant time and energy researching this problem, identifying solutions and working for change.

The Task Force Cabinet would like to take this opportunity to acknowledge and extend thanks to the diverse group of members who have come to the table to address this grave issue. On the following page, you will find a list of these valued community members along with their affiliations. We look forward to their continued involvement and input as we move forward.

As you read the last section of community recommendations, we are hopeful that many more of you will join us in our ongoing effort toward a more self-sufficient community-at-large.

Sincerely,



Dawn Chapla
St. Joseph County Building Self-Sufficiency Task Force Facilitator
United Way of St. Joseph County Director of Labor & Community Services

St. Joseph County Building Self-Sufficiency Task Force Members

Mr. Phil Badger, Center For Peace And Nonviolence

Mr. Daniel Badur, German Township Trustee

Ms. Stephanie Ball, South Bend Housing Authority Resident Initiative Manager

Ms. Charlotte Barrier, Portage Township Deputy Trustee

Ms. Rhonda Brown, United Way of St. Joseph County Director of Resource Distribution

Ms. Catherine Brucker, City of South Bend Code Enforcement Director

Mr. Lee Brummett, Cook Heating Sales

Mr. Howard Buchanon, South Bend Fire Department Fire Prevention Assistant Chief

Ms. Kutrina Butler, Salvation Army of St. Joseph County

Mr. Joe Carbone, Jobs With Justice Chair, St. Joseph County

Ms. Dawn Chapla, United Way of St. Joseph County Director of Labor & Community Services

Mr. Lynn Coleman, South Bend Mayoral Assistant

Ms. Louise Collins, IUSB Philosophy Department / Step Ahead Council Member

Fr. Chris Cox, Saint Adalberts Church Pastor

Dr. Charles Craypo, University of Notre Dame Professor Emeritus

Ms. Janet Ditmire, St. Joseph County Housing Authority

Mr. Mark Dobson, County Commission Vice President

Ms. Sue Dylewski, Harris Township Trustee

Ms. Joan Eash, St. Vincent DePaul Society Director of Emergency Assistance

Mr. Robert Ercoline, Catholic Charities Western Region Director

Ms. Jill Fenstermaker, AIDS Ministries/AIDS Assist Asst. Director of Housing / Client Services

Ms. Judy Fox, Notre Dame Law School, Legal Aid Clinic

Ms. Kathleen Fox, Lincoln Township Assessor / Trustee

Mr. Les Fox, Real Services President / CEO

Dr. Rod Ganey, United Way of St. Joseph County Board of Directors President

Ms. Marilyn Gardner, Jewish Federation of St. Joseph County Executive Vice President

Mr. Loren Geyer, Union Township Assessor / Trustee

Ms. Pat Hancock, Family and Children's Center, CDS Program Manager

Ms. Diane Heimberger, Real Services

Ms. Julie Helman, YWCA of St. Joseph County Domestic Violence Case Manager

Ms. Hope Heritz, AID Ministries / AIDS Assist of North Indiana Director of Housing Services

Mr. F. Eugene Hess, Retired Social Worker

Ms. Marj Hodgson, Portage Township Trustee's Office

Ms. Donna Hoskins, Clay Township Poor Relief Supervisor

Mr. Hollis Hughes, Jr., United Way of St. Joseph County President / CEO

Ms. Jan Jenkins, Center For Peace and Nonviolence

Mr. Greg Jones, Indiana Plan Director

Ms. Linda Jung-Zimmerman, Stone Soup Community Director

Mr. Jay Freel Landry, Little Flower Catholic Church Outreach Director / Pastoral Assistant

Ms. Olga Larimer, La Casa de Amistad Executive Director

Ms. Ernestine Ligon, City of South Bend Community & Economic Development

Ms. Clyde Manning, Hope Rescue Mission

Ms. Carol Mayernick, United Religious Community Executive Director

Mr. David Mayne, AEP

Mr. Donald McGawn, Olive Township Assessor / Trustee

Captain Jodi Montgomery, Salvation Army of St. Joseph County

Captain Nicholas Montgomery, Salvation Army of St. Joseph County Executive Director

Ms. Beth Morlock, Center For The Homeless Program Director

Ms. Gladys Muhammad, South Bend Heritage Foundation Associate Director

Ms. Maryann Myers, South Bend Mayor's Office Secretarial Services Director

Ms. Ann-Carol Nash, South Bend City Assistant Attorney

Ms. Jane Nichols, Community Consultant for Family and Children's Center, CDS

Mr. David Niezgodski, St. Joseph County Commissioner

Ms. Colleen Olund, Mishawaka Housing Authority Executive Director

Ms. Sandra Ort, Greene Township Assessor / Trustee

Mr. Jim Paladino, Notre Dame Center For Social Concern Assistant Director

Ms. Diana Palmer, NIPSCO Revenue Recovery Team Leader

Mr. Steve Peterson, South Bend Housing Authority Grant Writer / Planner

Ms. Diane Price, University of Notre Dame Graduate

Mr. Jack Reed, South Bend Mayoral Assistant

Mr. Jim Reisinger, Family and Children's Center, CDS Executive Director

Mr. Robert Rodes, University of Notre Dame Professor of Law

Ms. Kathy Schneider, St. Margaret's House

Ms. Ingrid Simmons, Real Services Energy Assistance Program

Mr. David Sisk, Step Ahead Executive Director

Ms. Laura Stringfellow, United Way of St. Joseph County Administrative Assistant

Mr. Dave Switzer, AEP Manager of Community Affairs

Ms. Marguerite Taylor, South Bend Housing Authority

Mr. Rob Thomas, Clay Township Trustee

Ms. Carol Thon, Advocacy Centers of South Bend and Mishawaka Director

Mr. Thomas Tomczak, Warren Township Assessor / Trustee

Ms. Julie VanDeWater, NIPSCO Community Relations Manager

Mr. Chuck Voreis, Portage Township Trustee

Mr. Bob Walsh, Social Security Administration Public Affairs Specialist

Mr. Sean Wendlinder, St. Vincent DePaul Society Executive Director

Mishawaka Utilities Customer Service Manager

**St. Joseph County Building Self-Sufficiency Task Force
2004 Report To The Community**

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Client Advocacy: Rob Ercoline, Chair

- Design and implement a client process both short-term and long-term.
- Identify community partnerships for identified services, i.e. advocacy, client assistance, bill clarification, financial counseling.
- Grant application development.

The Family Development Model

A Summary of the Family Development Credential of Cornell University

The family development model of human service allows families to live healthy, interdependent lives by helping them dream of a better life and then empowering them to set and reach their own goals. This family development model is founded on a strengths-based approach. The goal of this summary is to explain the model in comparison with a human service model.

In the human service model, various community agencies assess what a recipient needs, determines their eligibility and arranges for them to receive some of the services offered. The agency also makes referrals for appropriate services beyond their capacity and tries to get the recipient to follow through with their program with incentives or pressures until their service is no longer needed. Often, this model leads to red tape, intrusions into privacy and dependence on government programs, which in turn leads to a loss of dignity and faith that a family can take care of its self. This human service model is based on some of the following assumptions:

- If families cannot manage on their own, there is something wrong with them.
- Families in need must have professionals assess what is wrong and prescribe services.
- If families do not follow the professional's advice or if their advice does not work, the fault lies with the family and the appropriate professional reaction is to withdraw services.
- Providing services is the goal of human service agencies.

This approach is summed up as a "deficit approach," which requires families to show what is wrong in order to receive services and is judged counterproductive to helping families move toward self-reliance. The deficit approach focuses on a family's weaknesses and waits until a crisis develops in a family before help is offered. While crisis services are necessary, it would be better for agencies to provide supportive services to families early on. Also, the deficit approach presupposes that it is a worker's role to find out what is wrong in a family and then decide how to fix the problem. This deficit approach is based on three faulty assumptions: the family is telling all of the relevant information, the worker knows what is best for them, and the family will follow up on the treatment plan.

The core of the family development model is that families must choose their own goals and methods of achieving them. This model relies on some of the services offered through human service agencies in order to stabilize a family's crisis (food, shelter, etc.), but goes beyond this approach. In the family development model, families use services as stepping-stones to reach their goals.

Some of the core principles of family development include:

- All people, and all families, have strengths.
- All families need and deserve support – how much and what kind of support varies throughout life.
- Most successful families are not dependent on long-term public support. They maintain a healthy interdependence with extended family, friends, and organizations.
- Families and family workers are equally important partners – each contributes important knowledge and each learns from the other in the process.

Essentially, the family development model works like this: The family develops a partnership with a family worker, who then helps the family assess its needs and strengths (an on-going process that is constantly revisited). The family sets its own major goal and smaller goals and identifies ways to reach them. The worker helps the family make a written plan for pursuing these goals – some of the tasks belong to the family and some to the worker. Accomplishments are celebrated and the plan is periodically updated. In the process, the family continually learns and practices skills needed to become self-reliant, the family uses services as stepping-stones to reach their goals, and the family's sense of responsibility and self-reliance is restored.

In the human service model, workers offer case management to coordinate services or a plan of care from several agencies for one family. The family development model means that a family manages its own services, sometimes with the help of a family development worker, sometimes on its own. A large part of what family workers do is to help a family set a goal, decide what services they need to meet that goal, and then make arrangements for those services. The role of the worker is to offer expertise in the services offered in the community. The worker also helps the families speak for themselves in conflict situations and advocates for them when necessary. Helping with advocacy involves teaching families how to find necessary information (such as eligibility requirements) and effective communication skills. Most importantly, family workers offer compassionate presence, through a proven technique of mindfulness, to bring their full attention to the family. This compassion gives a family the space to sort out the problem and identify their most pressing goals.

Changing to a family development model from the deficit approach requires a whole new way of thinking and corresponding policy changes at the agency, community, state and federal levels. For families to move out of dependency, helping systems must shift from a paradigm of exercising power over families to one of sharing power. Human service workers have power, which they may not recognize, because they decide who gets valued resources. Family workers use that power to work with and empower families.

The Family Development Credential is a professional credentialing program for those in human services working with families. Earning this credential requires the Empowerment Skills for Family Workers course offered by certified instructors, sometimes through a local state or community college. Course requirements include building a portfolio of selected activities and practices and taking a final, multiple-choice exam. Family workers are trained in diversity to recognize systems of oppression and cycles of dependence at work in a give situation. In

addition to the basics of family development, they are also trained in communication strategies, self-care and mindfulness, home visiting, facilitation skills and collaboration.

Source:

Clair Forest. *Empowerment Skills for Family Workers: A Worker Handbook*, Family Development Press, Cornell Univ.: Ithaca, New York. 2003.

Research, Education and Systems Initiatives: Carol Thon, Chair

- Define the local assistance process.
- Determine the scope of the problem.
- Gather demographics and identify underlying causes.
- Collect the local survey data.
- Set up community client classes and develop client information folders.
- Identify and develop delivery systems initiatives with local support organizations in bill clarification, electronic data collection, and common client intake forms.

Education Committee Summary – October 2004

Since the inception of the Task Force, the Education Committee has worked with the other committees to ensure an inclusive view of the issues, a thorough understanding of the priorities of the entire group, and a comprehensive perspective to allow us to make recommendations and project the impact of modifications to the current structure of assistance and education. We worked very closely with the Research Committee to establish baseline information regarding issues facing the population we seek to serve. Our committee's representation at the IURC hearing in Indianapolis is evidence of our support of the Organizing Committee in its efforts to effect change on a different level. Our group is in touch with the recommendations and progress of the Advocacy Committee as education and advocacy are related and share many objectives.

After identifying the application process for assistance from the Township Trustees as a significant challenge for clients, we met with many of the Trustees (all were invited) to attempt to develop common criteria for assistance that can be shared with clients in advance of their initial appointment at the Trustee's office. Additionally, we interact regularly with other providers of assistance to assess, and attempt to address, their common concerns in providing assistance with both compassion and accountability. Those providers include, but are not limited to, the Advocacy Centers, Catholic Charities, First Call for Help, Little Flower Catholic Church, the St. Vincent de Paul Society, and the Salvation Army.

With regard to the common criteria, we have made some progress but recognize this is an expansive undertaking. Township trustees have a general outline of procedures mandated by the state but those guidelines provide extensive latitude to individual townships. As is pointed out in the Research Committee summary, the reasons for the varying requirements for application, as well as the varying levels of assistance provided, are driven by many factors, most significantly the number of township residents in need of financial assistance and the available dollars in a particular township to provide assistance. The Townships did agree to accept the generic Township Trustee application for assistance that is available on the Internet. Because Townships are required to document income eligibility, the process can be laborious for clients. To compound the challenge of uniformity, each of the agencies mentioned receives funding from a variety sources. Each income source may have its own requirements for documentation of income eligibility and what the funds they provide may or may not be used for (i.e., may not be used for deposits). Our goal is to assemble one document that will list all of the documentation a client may potentially need when applying for assistance at any of our county's providers and the requirements/restrictions for assistance on each issue at each provider.

A related goal of the Education Committee is to produce a printed resource guide to be distributed in the community. By mutual agreement, it will be an expanded version and a replacement of, the Community Resource Guide that has been distributed for the past several years. The United Religious Community has offered to provide the Task Force with a disc with all of the information on the new Quick Sheet Guide they published. This information is current which will reduce the time commitment in gathering data for the guide.

Another goal is to distribute to clients an expandable folder that will contain the "criteria and documentation for assistance" handout, the resource guide, and any applications that may be needed while providing a place to keep the receipts, check stubs, bills, income verification, etc., that they need. It is our expectation that having one place to store and transport the needed information will reduce some of the challenges in securing assistance.

It is clear that there is a need for better communication between providers. Ideally, an Internet accessible database that could be used and maintained by all providers would create the ability to serve clients more efficiently and leverage our collective dollars more effectively. Clients would be asked to sign a release allowing the posting of limited specific information regarding their request for assistance to a secure database. Providers would be able to see where the client has been, what assistance has been provided or pledged, and what unmet need remains. With a high percentage of providers participating, we would be able to generate considerably more accurate data with regard to actual need and unmet need in our community. Currently, nearly all of our estimates reflect extensive duplication that we are unable to identify as most clients go from agency to agency until they get the financial assistance they need or they have exhausted all of those resources. There are challenges to implementation including; compatibility with existing database records already maintained by each agency to avoid the need for duplicate data entry, inadequate agency staffing to support the data entry, concerns of confidentiality, and funding to support the creation of the database and a server. The benefits, however, so outweigh the challenges that this database is a priority in our Committee.

We are currently pursuing a collaboration that would provide the six agencies listed above the opportunity to voluntarily participate in a pilot program to monitor utility issues during the 2004-2005 winter season. Currently, we have the permission of the owner of the very secure database to use the program as suggested above. We are awaiting information on the cost of participation. As soon as all of the details are compiled, the Education Committee will present the full proposal to the Task Force for consideration.

While the Advocacy Committee is addressing the very important issue of income-level cultural differences and how to bridge the gap, its proposed program includes an education component that would address budgeting and asset management, among other topics. The Education Committee is very supportive of the proposal. Those education workshops would be available to participants in that program and would no doubt provide significant benefit. Our committee has identified as an urgent need for the majority of clients seeking assistance, access to education geared toward budgeting, maintaining records, and managing the household.

Last winter, the Task Force conducted Budgeting and Winterization Classes at a variety of locations throughout the community. On average, the clients who participated in those classes,

and have authorized monitoring of their utility payment history, have shown more responsibility in attempting to make payments and avoid disconnection than the general clientele who require financial assistance. This leads us to conclude that not only is there a need for this education but we can expect a positive impact if we are able to address this need. The Task Force is planning to present Budget/Winterization classes again this winter and will continue to monitor participation and results. We are also exploring options to increase educational opportunities at collaborating agencies. There are several existing programs including Home Management Resources Family Life Seminar and Budget Classes and a Purdue Extension Services program that we are encouraging agencies to investigate for their clients.

The Education Committee will continue to promote collaboration, cooperation, and communication among providers and identify and make accessible to clients opportunities to move toward self-sufficiency.

Community Organizing: Jay Freel Landry, Chair

- Identify the legal rights and obligations of utilities, clients, and support systems.
- Organize initiatives for changes in laws, statutes, and policies to improve the system.
- Build coalitions with local and state government, businesses, faith-based groups, and community and labor groups, to achieve community change.

Organizing Committee Summary

In November 2003, the South Bend Tribune ran a series of three stories of families who had their gas service shut off. Each family had a large past due bill along with a huge deposit that they needed to pay to get their gas service back on.

This heating crisis in Northern Indiana brought together a number of agencies, churches, and city offices to begin to address the problem. Over time, this group estimated that in the winter of 2003-04, there were over 1000 households in Northern Indiana without heat. A number of committees were formed on this task force including the organizing committee whose role is to determine what can be done in the public sector to make it easier for low-income families to keep heat on in the winter. This group would then advocate and organize for laws and policies that would support low-income households in keeping their heat on.

This group was initially comprised of Judy Fox, Robert Rodes, Jay Freel Landry (chair), Diane Price, Dawn Chapla, and Linda-Jung Zimmerman and Laura Stringfellow.

Shortly after our first meeting, it became apparent to us that there would be legislation proposed in the Indiana House and Senate to address this matter. A bill was passed in the House that set deposits at \$100 and reconnect fees at a reasonable charge. This bill was sent to the Rules and Procedures Committee in the Senate by Senator Robert Garton who had no intention of it ever being voted on. He believes that these matters should be determined by the Indiana Utility Regulatory Commission (IURC). He claims that the IURC was going to take up this matter, which in fact they have. It is, however, our belief, that if necessary to serve the citizens of Indiana, this matter can and should be dealt with in the House and Senate.

We were thinking about filing a petition with the IURC to take up this matter until they announced that they would be offering a new proposed rule on utility law, which included a hearing on September 22, 2004 in Indianapolis at 10:30 a.m. At this point, we began to organize around the hearing. We were able to gather a number of people from Northern Indiana who testified on this matter. This list includes: Senator John Broden, Dawn Chapla (United Way), Catherine Brucker (South Bend Code Enforcement), Carol Thon (Advocacy Center), Phil Badger (Center for Peace and Nonviolence of St. Joseph County), Judy Fox (Notre Dame Legal Aid), Olga Latmer (La Casa De Amistad), Jeni Umble (Church Community Services in Elkhart), Jay Freel Landry (Little Flower Catholic Church), and Yolonda Brooks (South Bend resident and NIPSCO consumer). Reverend Latham, Director of the Ft. Wayne N.A.A.C.P. and four ministers from Ft. Wayne who are working with our St. Joseph County group also testified and presented over 500 signatures from their community. Also in attendance were eight Notre Dame law students from Notre Dame's Legal Aid Clinic.

All in all, the comments of this Northern Indiana group amounted to a support of the proposed new rule in most areas, yet offering insight for greater consumer rights and protection in some areas. The heart of our testimony focused around the issue of deposits in that a gas utility in Indiana can charge up to four months of the yearly bill for a deposit. Every person spoke about this fee being far too high putting people into debt and causing them to live without heat in the winter time, evidenced by the number of families without heat this past winter (which Catherine Brucker believes is a conservative underestimate).

The new rule proposes that the deposit amount be changed to two months, which we believe is an improvement, but our hope is to see it changed to one month of the yearly bill. Further, we also testified that new proposed method of credit scoring to determine whether a consumer would pay a deposit is very problematic because the working poor and low-income have terrible credit and this could also affect many low-income families.

Moreover, Yolonda Brooks testified about her situation as an unemployed single-mother with three children and how difficult it is to live without heat for they have no hot water for bathing. At the time, NIPSCO was asking for a deposit of \$940 plus a \$45 reconnect fee, which we simply found to be outrageous. In her testimony, she cried as she shared the pain of living without heat and having to ask for help to get it back on. You could have heard a pin drop in her testimony.

At the hearing in Indianapolis, the group from Northern Indiana lobbied for a hearing in the northern part of the state so that the IURC could hear the concerns about the problems that so many people face in keeping their heat on. Fortunately, the IURC announced that they will hold a hearing on Wednesday, December 1 at 6:00 p.m. at the Century Center in the Bendix Theatre, which holds 694 people. Our hope is turn out 800 people from Northern Indiana for this hearing to communicate our concerns about the problem and our hopes for the new rule that will become law. We are organizing people from Gary, South Bend, Mishawaka, Elkhart, and Fort Wayne. We have been working with Dave Menzer from the Citizens Action Coalition in Indianapolis who has been quite helpful in advising us on this matter. We hope to continue to work with him.

It is our hope that the South Bend Tribune and other local media will help us to organize many people to attend this hearing on December 1.

The Organizing Committee would like to request that all social service agencies provide the Task Force with ten of their most difficult and challenging cases. We caution you to make these as generic as possible so as not to breach any client confidentiality. The stories will be used to illustrate to the IURC the need and the obstacles faced by those in our community when trying to deal with these difficult utility issues. These need to be sent to Jay at Little Flower Church by November 19th.

Self-sufficiency means maintaining a decent standard of living and not having to choose between basic necessities – whether to meet one's need for child care but not nutrition, or housing, but not health care. Self-Sufficiency Wages are family-sustaining. – Self-Sufficiency Standard for Indiana, 2002

During this past year, the Task Force has been very fortunate to have as supporters Dr. Charles Craypo, Professor Emeritus Notre Dame and one of the students he has been mentoring, Diane Price. Since Diane wrote her thesis on this problem, we have had the benefit of her research and have adapted portions of her thesis as the basis of some of our findings. Following is an overall summary of this crisis and its effects written by Dr. Craypo.

Summary of Research Adopted by The Task Force

The Problem: A large and apparently growing problem in St. Joseph County is the inability of low-income households to pay home heating bills on time or at all. When this happens the utility may disconnect their heating gas during the off-season and unless it is reconnected they go through the following winter with no heat in the house. Approximately half a million Indiana families experience such disconnections each year. Findings show many households stay in a disconnected state for multiple years. In St. Joseph County, according to agency reports to the Task Force, more than a thousand households were disconnected at the beginning of the 2003-04 winter season, another two thousand had been put on shut-off notice. A particularly controversial issue associated with inability to pay is requiring low-income households that have been disconnected for past-due bills to make frequently large money deposits before reconnecting them.

One or more of three things would have to occur for the problem to be resolved or at least mitigated. The price of natural gas would have to fall sharply, low-income households would have to see their incomes rise significantly, or public and private assistance programs and natural gas providers would have to modify their policies and actions in ways that help low-income families avoid and continue to avoid being disconnected. For reasons to be identified and described below, the first two are unlikely to occur in the foreseeable future. Instead, prompt attention should be given to current assistance and reconnect deposit policies.

This summary report describes the extent and nature of the problem in St. Joseph County and recommends specific solutions. It focuses on St. Joseph County households that heat with natural gas supplied by Northern Indiana Public Service Co (NIPSCO), largest of the four leading natural gas providers in Indiana. It is based on the 2004 senior honors paper "Rising Energy Prices and Low-Income Households in St. Joseph County, IN," researched and written by Notre Dame student Diane Price under the direction of Professor Emeritus Charles Craypo.

Energy prices: The price of natural gas – which heats 55 percent of American homes -- has risen sharply in recent years. Average prices were nearly half again as high during 2000-2004 as their 1997-1999 levels and an anticipated 68 percent higher in 2004 than in 2000-2001. They are also volatile. During a two-day period in late September 2004, natural gas prices jumped 17 percent and were expected to reach record highs in the coming winter despite higher than usual

industry inventories. Energy analysts were predicting average home heating gas bills of more than a thousand dollars.

Natural gas production globally has been virtually flat in recent years. Yet the demand for it rose on average more than 2 percent a year and is forecast to rise by more than double that during the 2004-05 winter season. Natural gas has become the preferred energy source for both industry and home heating purposes, particularly with the recent emphasis on clean burning fuel. Moreover, new manufacturing powers such as China and India now compete against traditional industrial countries such as the U.S. and Europe for available supplies. This means that household users must also compete but do not have the buying leverage that global producers have in the market.

Unseasonably cold temperatures in two recent winters in the U.S. combined with the short supplies to spike prices dramatically. Steep increases in natural gas prices together with stagnating or falling incomes make things even worse for the working poor. Last year, it should be noted, the federal energy department estimated that families with incomes below \$25,000 spent at least 13 percent and as much as 30 percent of it for energy. In the past four years household energy prices nearly doubled in the Midwest region. To make matters worse, consecutive hurricanes in the Gulf of Mexico in 2004 stymied production in the area that supplies no less than one-quarter of total domestic output. The combination of these events and conditions is likely to keep household prices high in both the short and the long run.

Declining incomes: Inability to pay heating bills is more widespread than generally perceived. The combination of low family incomes and steadily rising gas prices creates situations in which sizable numbers of households are in danger of having their heating shut-off. This includes both the jobless and the gainfully employed. More than one in three persons living in poverty come from households in which one or more persons are employed, although two-thirds of them work only part-time. Earnings related energy crises are thus caused by low working hours as well as by low wages.

Family incomes are rapidly becoming polarized, the effect being to put large segments of the labor force below official poverty lines. In 1974 the bottom 60 percent of American households received one third (32 percent) of the nation's total income, the next 20 percent got one-fourth (25 percent) and the top one-fifth received the rest (43 percent). This was already a high level of income concentration. But by 2001 the income share of the bottom 60 percent of households had been reduced from 32 to 29 percent and that of the next highest 20 percent reduced from 25 to 23 percent; by contrast, the share of the top 20 percent rose to 50 percent. In other words, all of the increase in national income during this period went to the highest income earners. The top one percent alone increased its income share from 16 to 22 percent.

The underlying causes of insufficient earnings and income polarization among U.S. households are not likely to disappear in the foreseeable future. The large numbers of low-income families that result are not likely to decline either, therefore requiring continued and adequate energy assistance at state and local levels.

Assisting low-income households: Assistance agencies generally rely on federal poverty guidelines in determining whether or not a particular applicant household is eligible for help in paying its energy bills. Those below a specified income level may be eligible while those above

are not. The guidelines estimate minimum family expenditures needed to achieve a minimum standard of living. The problem with such formula determinations lies in establishing what constitutes a minimum standard. Federal statisticians derived a seemingly appropriate formula during the early 1960s. They measured the cost of "consumer baskets" of food items that nutritionists said provided minimal but acceptable diets for families of various sizes. Because the average American household at that time spent one-third of its disposable income on food, the statisticians multiplied the cost of their minimal food baskets by three and called them the appropriate income guidelines in determining poverty status for low-income families.

The resulting formulas seemed reasonable at the time. The problem, however, is that they have not been revised to reflect changes in average family expenditures. As a result the formulas have become hopelessly outdated although they continue to be used. What has happened is the relative cost of food has declined so much that the average family now spends only one in seven of its disposal dollars on food, far less than the one-third of 40 years ago, and disproportionately much more on health care, transportation, housing, and so on. The 1960s formulas thus focus on that part of the average family's shopping basket that presently accounts for just 14 percent of average household spending. So multiplying it by three takes into account only 42 percent of overall expenditures, not the one hundred percent it represented four decades ago. The effect is to ignore the long-term impact of changing consumption patterns and cost-of-living increases on the living standards of low-income families. Experts agree that current federal guidelines understate the true number of Americans living in poverty by anywhere from 50-to-100 percent, depending on the particular calculations.

Consequently, more households in the nation and in South Bend live in poverty than is commonly thought. Trends in local poverty rates -- using official guidelines -- mirror those for the nation over time: an overall decline between 1959 and 1973 and a steady increase in the years after that. This reversal in direction matches that of post-WWII real wages, which also improved steadily until 1973, remained flat until 1979 and then declined gradually into the present. This demonstrates the negative causal relationship between wage and poverty trends, that is, when wages fall poverty rises.

Based on federal guidelines, the reported poverty rate for St. Joseph County in 1999 was 11 percent, which represented some 29,000 households, compared to a reported 9.3 percent nationally. If, however, we assume a true poverty line of \$25,000 (for a family having 2.5 members), the poverty rate jumps to nearly 30 percent, almost three times the official figure.

Inability to pay energy bills must then surely be a chronic problem for many more St. Joseph households than would be presumed by the 11 percent rate. Moreover, it should be noted, official poverty lines also determine eligibility for most other assistance programs that normally are extended to families with incomes up to 125 percent of the guidelines.

During the peak manufacturing years locally, average family income (adjusted for inflation) was one-quarter to one-third higher than that for the rest of the country; by the 1990s it was about one-sixth lower.

Deindustrialization: A major explanation for this income decline is a disproportionate shift in employment from high-wage, high benefit hourly jobs in the goods producing and support sectors of the economy to lower wage and benefits hourly jobs in the service providing sectors. Like most of the manufacturing Midwest, North Central Indiana, including St. Joseph County, experienced serious deindustrialization.

Tens of thousands of goods producing factory jobs have been lost in the county since the early 1960s; equally good support jobs in construction, transportation and communications rose somewhat but not nearly enough to compensate for the losses in durable goods production. Manufacturing employment nationally fell by one-half during this time but by two-thirds locally while the number of service jobs tripled nationally but rose six-fold here. It is worth noting in this regard that service and retail jobs together account for four of every five minimum wage jobs nationally and, no doubt, locally as well.

Average job earnings in St. Joseph County have fallen from well above to well below those nationally. During the 1950s they could exceed the latter by more than a third but by the end of the century they lagged far behind. Local deindustrialization thus has become a recipe for creating the working poor. There is little reason to believe that the decline in good hourly jobs will be reversed, either here or nationally.

Existing programs and procedures: The public assistance available to families that cannot pay their utility bills is neither large enough nor efficiently delivered. Funding is available from the federal government but in Indiana the heaviest responsibility falls to the individual township because the state provides no money for direct assistance.

Federal support has been available since 1974, when the OPEC oil embargo drove up prices and, among other things, impacted low-income households. Assistance initially focused on economizing measures such as "weatherization" programs and on indirect financial support. In 1982 Congress refocused the effort to direct, universal rather than indirect, selected assistance. Low-income families in general became eligible for a variety of federally funded subsidies and interventions with passage of the Low Income Home Energy Assistance Program. LIHEAP continues to this day although with relatively fewer resources than the \$1.85 billion with which it was initially funded.

Increases in LIHEAP funding have not kept pace with increases in energy costs. As a result, it is estimated that today only 13 percent of the 35 million households eligible for assistance nationwide actually receive it. Indiana's LIHEAP funds, for example, have been cut by more than \$21 million since 2000. Partly as a result, the average household recipient gets just \$250.

These trends leave the burden of providing energy assistance to state and local governments, which are themselves incapable of satisfying the need. Like many other states, Indiana provides no funds for direct energy assistance. Instead, its more than one thousand townships are responsible for financing and administering energy relief. We are, it turns out, one of 20 states that do it this way. Because federal and state governing bodies put the burden on local governments, funding levels depend on property tax revenues, the primary source of local

revenues. Yet less than one-tenth of such monies are allocated to Indiana townships, in contrast to the 48 percent taken by counties and 45 percent by municipalities.

The State of Indiana funnels its share of LIHEAP monies -- \$46.3 million in 2004 -- to county governments, each of which organizes a Community Action Agency. These funds are used primarily to finance the Energy Assistance Programs (EAP) that are designed to help low-income families by prohibiting utilities from shutting off electricity and gas services from December through March. LIHEAP funds also are the primary source for Indiana's Weatherization Assistance Program (WAP) through which low-income households receive a variety of energy conservation services including furnace and hot water heater inspections and home insulation protection. In St. Joseph County these programs are administered by Real Services. It should be noted here that a source of probable agency inefficiency is a general lack of coordination of activities and sharing of information. This is particularly costly when it comes to agency knowledge of individual applicant case histories with other agencies, both to discourage fraud and encourage appropriate assistance.

To receive township help the income of the applicant household must be at or below 125 percent of the official poverty line for that family, in addition to other stipulated requirements the household must meet. If approved, the household is eligible to receive assistance from November through May or until program funds are exhausted. Assistance consists of a one-time credit extension toward energy bills that are past due, meaning that applicants must produce disconnect notices when they apply. In 2002, St. Joseph County townships distributed more than seven hundred thousand dollars to slightly more than thirty three hundred households, for an average benefit of slightly more than two hundred dollars each.

The overall share of township spending that goes to poor relief in Indiana has declined over time. About half of all relief expenditures went to relief in the early 1980s compared to 23 percent in 2002. Adjusted for inflation, such funding fell during the 1990s, as did the number of households receiving relief. Administrative costs of townships meanwhile rose to 90 cents for every dollar of relief funding. These trends prompted a coalition of business groups to release a study calling for the transfer of poor relief in Indiana from townships to counties.

The role of townships remains controversial. The major advantage of having townships administer relief programs, according to proponents of decentralization, is that elected township clerks best understand local conditions and resources and therefore are best able to understand and assess individual family situations and thus to make the most efficient and fair decisions in these matters.

The major disadvantage, according to critics, is the uneven ability of townships to raise funds through property taxes because of the uneven taxable value of such properties. Some townships are wealthier than others. Those with the highest concentration of poverty tend also to be those with the lowest property tax base. Portage Township in South Bend, for example, contains slightly more than a third of St Joseph County's households but receives more that four-fifths of its applications for township assistance. With a low tax base, Portage manages to assist only 20 percent of its applicants and meanwhile must borrow relatively large sums of money in order to

meet a state-mandated requirement that township have on hand at least some poor relief funds at all times.

In addition, they argue, decentralization of responsibility for relief funding and disbursement necessarily produces inconsistencies across townships. As a result, they say, within the larger metropolitan area it discourages coordination among state relief programs in administering both local and external programs such as TANF. Greater centralization also would be more likely to make public relief records and data that are presently considered confidential. It also would standardize application procedures, a source of controversy because of the considerable time, effort and uncertainty that is involved in current township requirements. In many instances, for example, applicants cannot obtain a complete list of the documents and records that will be required, often resulting in multiple time-consuming and costly visits to township offices. They cannot, for example, schedule office appointments (day or night) that would allow the working poor among them to apply without having to miss work.

Winter Moratorium: Indiana does not allow energy utilities to shut off heat in low-income households on the LIHEAP program between December 1 and March 15, even if they are delinquent in paying past-due bills. This is a well-intentioned requirement but it is being criticized on two counts. First, the March date is too early for the northern part of the state where winter temperatures can linger much longer than that. A bill expanding the no-shutoff period from November 1 through March 31 was introduced in the state legislature but it was not acted upon.

Second, and even more contentious, is NIPSCO's practice of requiring households that have been disconnected to make, often large, financial deposits as part of the reconnect process. This happens in the absence of any provision (i.e. mandatory budget plan enrollment) for households to pay down their bills during the moratorium period and, hence, to again be disconnected during the period after the moratorium expires and the new one begins. Some half million Indiana households are so affected each year. In the region served by NIPSCO, however, the company will not reconnect them unless they make deposit fees (or a down payment with payment arrangements ("*If Credit Worthy*") over no more than 8 weeks, that generally range from \$300 to \$1,000 or more. The company doubtless does this on grounds previously delinquent households are bad risks so it must protect itself against future losses. But the amounts charged are much higher than those imposed by American Electric Power and municipally owned Mishawaka Utility Co.

Many if not most of the affected households cannot pay these fees, at least without greatly impacting their ability to meet other financial demands, and instead have to resort to outside help. The problem is that major public and private assistance services – including both Township Trustees and Real Services – do not assist applicants to pay current energy bills, very old energy bills, or new deposit fees. Also note that United Way funded programs assist on 30 day past due bills, but its funding is usually depleted on average by the 11th day each month. Clients have to have received a disconnect notice before accessing the Trustee System, which shortens their ability to raise funds and therefore increases the number of households being shut off. Those that do help, such as Catholic Charities, Little Flower Catholic Church and the Advocacy Center, have seen their available funds depleted as a result of trying to do so. The problem has become a

policy issue. It is a serious and controversial matter and for that reason has received considerable media coverage. Legislation that would cap the size of such deposits was approved in a vote of the Indiana House but blocked in the Senate; a subsequent Senate bill to cap deposit fees at double the household's average monthly bill was not acted upon.

Recommendation: Natural gas prices are not going to come down significantly and low-income households are not going to earn enough money to become entirely self-sufficient. The continuing solution to household heating crises therefore is public and private assistance. The Price report offers a number of recommendations regarding energy assistance policy and procedure. These are:

- Continue to search for the most efficient, cost-effective, and just way to administer public assistance.
- Make relative data and records more publicly accessible.
- Make the application process for both public and private assistance more standardized and less time and resource consuming.
- Improve coordination of activities and sharing of information among assistance agencies.
- Expand the protected dates of the state's Winter Moratorium.
- Finally, allow public agencies to consider assisting households to make deposit fees, provide more funds for private agencies that already do so and, importantly, cap the amount of deposit fees utilities are allowed to impose.

In conclusion, it is important to emphasize that these recommendations address only the symptoms and not the causes of our failure to make households truly self-sufficient in home heating. "In the long-run, to prevent future crises, similar to the one facing St. Joseph County this winter, the underlying problem of why so many people have such low incomes needs to be addressed."

The following are Task Force recommendations to the community:

Client Advocacy:

- Implementation of the Empowerment Skills for Family Workers training model from Cornell University's Family Development Credential Training at a local Community College. The goal of this program would be to train staff in implementing and transforming local agencies into empowerment-based organizations.
- Provide local scholarships for training service agency staff in the Empowerment Model at local non-profits and community partners serving in the area of emergency assistance. The goal for St. Joseph County would be to mobilize all service partners in using this model of service delivery.
- Develop a community system for non-profit organizations to have access to grant-writing training and support. The goal for this assistance is to increase new program dollars in our community. This request was a major area of concern with local non-profits.
- Develop a "Financial Literacy Network" with local business and higher education partners. The goal for this program would be to improve family's abilities to manage their resources, to reduce their dependency on assistance and to develop good fiduciary practices resulting in self-sufficiency and financial community growth.

Research, Education and Systems Initiatives:

- Develop a "Community Certificate of Deposit" for local organizations to pledge assistance dollars for deposit charges to be distributed as needed to utility companies. The goal for this would be to keep local dollars working and drawing interest in our community to refund the program. This would ensure that any dollars refunded would also return to the community deposit fund.
- Develop a community-wide data collection process for local assistance organizations to reduce duplication of intake processes, better assess client needs, reduce waiting time for clients, and to identify possible collaborations. This would also help in the area of fraud if and when it occurred.
- Set standardized intake requirements for local Township Trustees and non-profits. This would alleviate much of the struggle client's face when going from agency to agency.
- Secure a community grant to provide "client folders" to give to clients applying for assistance at local agencies. The goal is to require clients to maintain the folder with their necessary documentation and to develop better habits in receipt, bill, and important document retention. Currently a large number of clients struggle to maintain these kinds of documents and spend countless hours each month reproducing them.
- Set a community standard for receiving assistance to require a client "statement of commitment" that addresses their personal needs and a pledge to apply themselves to reducing their dependency on community support services. (This model can be attained through the implementation of the Cornell Empowerment Program at local service agencies.)
- Develop ongoing client education classes on budgeting, weatherization, life skills, work skills and other areas that promote self-sufficiency.

- Develop a comprehensive St. Joseph County Community Services Guide.
- Solicit ongoing media support to educate the community on the status of the working poor.

Community Organizing:

- Support community initiatives to change Utility Deposit Regulations to require only one month deposit for connection.
- Support effort to strike credit history language from proposed ruling to protect low-income and people of color from unfair and punitive practices.
- Promote the institution of the "Universal Service Program" for low-income, seniors, and disabled utility customers.
- Organize efforts to require rental units to meet code standards. This would save hundreds of dollars per family in utility costs each year.

Future Issues To Be Addressed:

- Legislation to extend the winter moratorium through March 31
- Universal Service Delivery Utility Program
- Self-Sufficiency Standards vs. Poverty Guidelines
- Mentoring Program using Cornell System
- Fiduciary Literacy Network

We are looking to the leaders of this community, including business, government, faith-based groups, educational institutions, and non-profits to step up and partner with United Way and this Task Force to fulfill these recommendations.

In closing, we realize the vastness of the problem we have addressed, but we also know the gravity of not addressing it. We know that this community cares and together we can change lives. We refer you to a quote by David Shipler:

*If problems are interlocking, then so must solutions be. A job alone is not enough. Medical insurance alone is not enough. Good housing alone is not enough. Reliable transportation, careful family budgeting, effective parenting, effective schooling are not enough when each is achieved in isolation from the rest. There is no single variable that can be altered to help working people move away from poverty. Only when the full array of factors is attacked can America fulfill its promise. — David K. Shipler, *The Working Poor: Invisible in America**

Contact Information

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